

## Washington, Thursday, January 26, 1939

#### Acres Rules, Regulations, Orders CONTENTS Indiana \_ 11, 112 Kansas RULES, REGULATIONS, ORDERS Kentucky ..... 277, 191 TITLE 7—AGRICULTURE Missouri<sup>°</sup> 6,094 TITLE 7-AGRICULTURE: North Carolina... Agricultural Adjustment Ad-Ohio \_\_\_\_\_ Oklahoma \_\_\_ AGRICULTURAL ADJUSTMENT 14,082 ministration: Page **ADMINISTRATION** South Carolina\_\_\_ Agricultural conservation pro-Tennessee \_\_\_\_ 66,468 11,292 [ACP-1939, Supp. 8] gram bulletin, 1939, Sup-Virginia \_\_\_ plement 8\_\_\_\_\_ West Virginia Reserve for new farms and adjust-409 PART 701-1939 AGRICULTURAL CONSERVA-Sugar Division: TION PROGRAM BULLETIN ments\_\_\_\_ 5,000 Wage rates, sugarcane production in Hawaii, 1939\_\_ SUPPLEMENT 8 410 United States\_\_ TITLE 19—CUSTOMS DUTIES: (7) The national and State acreage Pursuant to the authority vested in the Bureau of Customs: allotments of fire-cured and dark air-Secretary of Agriculture under Sections Tare of 4 ounces per 100 cured tobacco, as established by the Sec-7 to 17, inclusive, of the Soil Conservation paper wrappings of fresh retary, are as follows: and Domestic Allotment Act (49 Stat. tomatoes\_\_\_\_\_ 410 1148), as amended, the 1939 Agricultural TITLE 31-MONEY AND FINANCE: Indiana \_. 473 Conservation Program Bulletin 1 is here-Kentucky TREASURY: 83,578 by further amended as follows: Missouri 100 Public Debt Service: Paragraph (a) of Sec. 701.3 is amended United States Housing Auby changing the national goal for Burthority 13%% notes of Seley tobacco from a range of 375,000 to United States\_\_\_\_\_\_ 160, 100 ries B, offering of\_\_\_\_ 410 400,000 acres to a range of 375,000 to (8) The national and State acreage TITLE 47—TELECOMMUNICATION: 410,000 acres. Federal Communications Comallotments of cigar filler and binder to-Paragraph (b) of Sec. 701.3 is amended bacco, as established by the Secretary, mission: by the addition of the following: Accounting by Class C teleare as follows: phone companies\_\_\_\_ 411 (5) The national and State acreage allotments of flue-cured tobacco and the Connecticut\_ 12,051 NOTICES 20 133 reserve for new farms and adjustments, Illinois\_\_\_\_\_ Indiana. as established by the Secretary, are as Securities and Exchange Com-Messachusetts\_\_\_\_\_ 4,961 follows: Minnesota New Hampshire New York mission: 760 Acres Hughes, James E., withdrawal 47 Alabama 500 1.087 of offering sheet, etc.\_\_\_ 434 Florida \_\_ 14,600 Ohio Pennsylvania Notice of and orders for hear-Georgia \_\_\_\_\_ North Carolina\_ South Carolina\_ 86,000 588,500 26, 532 Vermont \_\_\_\_\_ ings: 35 96,000 Wisconsin\_\_\_ East Tennessee Light and 90,000 Power Co., and Tennessee United States\_\_\_\_\_ Eastern Electric Co\_\_\_\_\_ 435 8,800 ments. (9) The national and State acreage al-Keystone Utilities, Inc... 435 lotments of Georgia-Florida Type 62 to-United States\_\_\_\_ Southern Natural Gas Co. bacco and the reserve for new farms (6) The national and State acreage Transamerica Corp., hearing and adjustments, as established by the allotments of Burley tobacco and the reorder amended\_\_\_ 433 Secretary, are as follows: serve for new farms and adjustments,

 Alabama
 177

 Arkansas
 67

 Georgia
 157

 Illinois
 45

as established by the Secretary, are as

Florida.

Acres

Georgia.

ments.

Reserve for new farms and adjust-

Done at Washington, D. C., this 25th

day of January, 1939. Witness my hand

United States\_\_

<del>\_\_\_\_\_</del>

<sup>1</sup>3 F. R. 2715 DI.

follows:

and the seal of the Department of Agriculture.

[SEAL]

Acres

2,349

551

100

3.000

H. A. Wallace, Secretary of Agriculture.

[F. B. Doc. 39-275; Filed, January 25, 1939; 12:41 p. m.]



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#### SUGAR DIVISION

PART 802—SUGAR DETERMINATIONS

DETERMINATION OF FAIR AND REASONABLE WAGE RATES FOR PERSONS EMPLOYED IN THE PRODUCTION, CULTIVATION, OR HAR-VESTING OF SUGARCANE IN HAWAII DURING THE PERIOD JANUARY 1, 1939, THROUGH **DECEMBER 31, 1939** 

Whereas, Section 301 (b) of the Sugar Act of 1937 provides as one of the conditions for payment to producers of sugar beets and sugarcane as follows:

That all persons employed on the farm in the production, cultivation, or harvesting of sugar beets or sugarcane with respect to which an application for payment is made shall have been paid in full for all such work, and shall have been paid wages therefor at rates not less than those that may be determined by the Segretary to be felt and determined by the Secretary to be fair and reasonable after investigation and due no-tice and opportunity for public hearing; and in making such determinations the Secretary shall take into consideration the standards therefor formerly established by him under the Agricultural Adjustment Act, as amended, and the differences in conditions among various producing areas: Provided, however, That a payment which would be payable except for the foregoing provisions of this subsection may be made, as the Secretary may determine, in such manner that the laborer will receive an amount, insofar as such payment will suffice, equal to the amount of the accrued unpaid wages for such work, and that the producer will re-ceive the remainder, if any, of such payment

Whereas, the Secretary of Agriculture has held a public hearing in Hawaii for the purpose of receiving evidence likely to be of assistance to him in determining fair and reasonable wage rates for persons employed in the production, cultivation or harvesting of sugarcane in Hawaii during the period January 1, 1939 through December 31, 1939:

retary of Agriculture, after investigation and due consideration of the evidence obtained at the aforesaid hearing and all other information before me, do hereby make the following determination:

Sec. 802.34b Fair and reasonable wage rates for persons employed in the production, cultivation, or harvesting of sugarcane in Hawaii during the period January 1, 1939, through December 31, 1939. Persons employed in the production, cultivation, or harvesting of sugarcane in Hawaii during the period January 1, 1939 through December 31, 1939 (except those who are paid a monthly salary of \$100 or more) shall be deemed to have been paid fair and reasonable wage rates, if full payment in cash for an eight hour day, (shorter or longer days to be in proportion) is made for all such work at rates not less than the following:

- (a) For all work performed by adult males under short term agreements and on a time basis in cutting, packing, fluming and hauling sugarcane and laying portable flumes, an annual average for each farm of not less than \$2.00 per day.
- (b) For all work performed by adult males under short term agreements and on a time basis in loading, an annual average for each farm of not less than \$2.20 per day.
- (c) For all work performed by adult males under short term agreements and on a time basis in laying portable track, an annual average for each farm of not less than \$2.40 per day.
- (d) For all work performed by adult males under short term agreements and on a time basis in planting, cultivating, fertilizing, irrigating, brooming, and other operations not specified in (a), (b) or (c) above, connected with the production, cultivation and harvesting of sugarcane, an annual average for each farm of not less than \$1.50 per day.
- (e) For all work performed by each adult male in all operations connected with the production, cultivation, or harvesting of sugarcane, exclusive of work performed under long term cultivation and irrigation agreements, an average wage for each pay period (not exceeding one month) of not less than \$1.40 per day.
- (f) For all work performed by each adult male under long term cultivation and irrigation agreements, an advance of not less than \$1.50 per day.
- (g) For all work performed by adult females in any operation connected with the production, cultivation or harvesting of sugarcane, not less than three-fourths of the above specified rates.

Provided, however, That in addition to the foregoing, the producer shall furnish to the laborer, without charge, the perquisites customarily furnished by him, such as, a house, garden plot, and similar incidentals; and Provided further, That the foregoing shall not be construed to mean that a producer may

Now, therefore, I. H. A. WALLACE, Sec-I qualify for payment who has not paid in full the amount agreed upon between the producer and the laborer; and Provided further, That the producer shall not, through any subterfuge or device whatsoever, reduce the wage rates to laborers below those determined above. (Sec. 301, 50 Stat. 909; 7 U. S. C., Sup. III 1131)

> Done at Washington, D. C., this 25th day of January, 1939. Witness my hand and the seal of the Department of Agriculture.

[SEAL]

H. A. WALLACE, Secretary.

[F. R. Doc. 39-277; Filed, January 25, 1939; 12:41 p. m.]

## TITLE 19—CUSTOMS DUTIES BUREAU OF CUSTOMS [T. D. 49784]

CUSTOMS REGULATIONS AMENDED TO PRO-VIDE TARE OF 4 OUNCES PER 100 PAPER WRAPPINGS OF FRESH TOMATOES

To Collectors of Customs and Others Concerned:

Pursuant to the authority contained in section 507 of the Tariff Act of 1930 (U. S. C. title 19, sec. 1507), article 1369 (d) of the Customs Regulations of 1937, as amended by (1938) T. D. 49543, is further amended by adding thereto the following paragraph:

Fresh tomatoes: Allow for weight of paper wrappings on the basis of 4 ounces per 100 wrappings.

ISEAL T

JAMES H. MOYLE, Commissioner of Customs.

Approved, January 19, 1939. JOHN W. HANES, Acting Secretary of the Treasury. [F. R. Doc. 39-267; Filed, January 24, 1939;

4:08 p. m.]

## TITLE 31-MONEY AND FINANCE: TREASURY

PUBLIC DEBT SERVICE

[1939—Department Circular No. 601]

OFFERING OF UNITED STATES HOUSING **AUTHORITY 1% PERCENT NOTES OF SERIES** B, DUE FEBRUARY 1, 1944

## I. OFFERING OF NOTES

1. The Secretary of the Treasury, on behalf of the United States Housing Authority, invites subscriptions, at par and accrued interest, from the people of the United States for notes of the United States Housing Authority, designated 1% percent notes of Series B. The amount of the offering is \$100,000,000, or thereabouts.

#### II. DESCRIPTION OF NOTES

1. The notes will be dated February 1, 1939, and will bear interest from that

<sup>&</sup>lt;sup>1</sup>3 F. R. 2671 DL

<sup>12</sup> F.R. 1738 (2032 DI).

num, payable semiannually on August 1, reduced allotments upon, or to reject, 1939, and thereafter on February 1 and August 1 in each year until the principal amount becomes payable. They will mature February 1, 1944, and will not be subject to call for redemption prior to maturity.

- The notes will be issued under authority of an act of Congress (known as "United States Housing Act of 1937") approved September 1, 1937, as amended, which provides that the notes shall be fully and unconditionally guaranteed upon their face by the United States as to the payment of both interest and principal; that in the event the Authority shall be unable to make any such payment upon demand when due, payments shall be made to the holder by the Secretary of the Treasury with money authorized to be appropriated for such purpose out of any money in the Treasury not otherwise appropriated: and that the notes shall be exempt, both as to principal and interest, from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, county, municipality, or local taxing authority. These notes shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or agency thereof.
- 3. Bearer notes with interest coupons attached will be issued in denominations of \$1,000, \$10,000 and \$100,000. notes will not be issued in registered form.

## III. SUBSCRIPTION AND ALLOTMENT

- 1. Subscriptions will be received at the Federal Reserve banks and branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account. Subscriptions from banks and trust companies for their own account will be received without deposit but will be restricted in each case to an amount not exceeding one-half of the combined capital and surplus of the subscribing bank or trust company. Subscriptions from all others must be accompanied by payment of 10 percent of the amount of notes applied for. The Secretary of the Treasury reserves the right to close the books as to any or all subscriptions or classes of subscriptions at any time without notice.
- 2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, to make allotments in full upon applications. Serves the right to reject any subscription. The subscription in the set 220, 25 Sate.

  #Promulgated by F. C. C. on June 23, 1938 as Order No. 43 "Uniform System of Accounts for Class O Telephone Companies"; to make allotments in full upon appliserves the right to reject any subscrip-

date at the rate of 1% percent per an- cations for smaller amounts and to make | Part applications for larger amounts, or to adopt any or all of said methods or such other methods of allotment and classification of allotments as shall be deemed by him to be in the public interest; and his action in any or all of these respects shall be final. Allotment notices 460 will be sent out promptly upon allotment, and the basis of the allotment will be publicly anounced.

1. Payment at par and accrued interest, if any, for notes allotted hereunder must be made or completed on or before February 1, 1939, or on later allotment. In every case where payment is not so completed, the payment with application up to 10 percent of the amount of notes applied for shall, upon declaration made by the Secretary of the Treasury in his discretion, be forfelted to the United States.

## V. GENERAL PROVISIONS

- 1. As fiscal agents of the United States, Federal Reserve banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve banks of the respective districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.
- 2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve banks.

[SEAL] HENRY MORGENTHAU, Jr., Secretary of the Treasury.

[F. R. Doc. 39–269; Filed, January 25, 1939; 11:15 a. m.]

## TITLE 47—TELECOMMUNICATION FEDERAL COMMUNICATIONS COMMISSION

CHAPTER XXVI. RULES GOVERNING AC-COUNTING BY CLASS C TELEPHONE COM-PANIES\*#

The Commission on January 16, 1939 repealed its Order No. 43 (CFR Secs. 45.01 to 46.02) and adopted the following:

TABLE OF CONTERES

Part

450 Applicability. 451 Definitions.

451

452 Instructions—General. 453 Instructions—Balance-sheet accounts.

\*Sections 450.01 to 463.02 issued under the authority contained in Sec. 220, 48 Stat.

454 Instructions - Telephone - plant accounts.

Instructions-Operating revenue ac-

counts.
Instructions—Operating expense

Instructions—Clearing accounts.
Instructions—Depreciation accounting.
Instructions—Work-order system.

Prescribed accounts.

List of units of property. 461 Accounts recommended for Class D tel-

ephone companies. Contemplated form of financial statements.

#### PART 450, APPLICABILITY

Sec.

450.01 Telephone companies subject to these rules.

Sec. 450.01 Telephone companies subject to these rules. (a) This Uniform System of Accounts for Class C Telephone Companies is prescribed for the use of telephone companies (including radio-telephone companies) having average annual operating revenues exceeding \$25,000 but not exceeding \$50,-000, subject to the provisions of the Communications Act of 1934, in the keeping and recording of their accounts: and each and every such carrier or each and every receiver or operating trustee of any such carrier is required to keep all accounts in conformity therewith.

- (b) Telephone companies or their recelvers or operating trustees having average annual operating revenues not exceeding \$25,000 shall keep all the accounts of this system of accounts until a statement is filed, under oath, showing to the satisfaction of the Commission that their average annual operating revenues for the three years immediately preceding the filing of the statement did not exceed \$25,000, Provided, however, That such carriers shall keep the accounts of this system of accounts if after filing the statement their average annual operating revenues exceed \$25,000.
- (c) Nothing herein contained shall be construed as prohibiting or excusing any such carrier or receiver or operating trustee of any such carrier from subdividing the accounts hereby prescribed in the manner ordered by any State commission having jurisdiction or to the extent necessary to secure the information required in the prescribed reports to such commission.
- (d) The said Uniform System of Accounts for Class C Telephone Companies hereby prescribed shall become effective on the first day of January, 1939.
- (e) Class C companies shall keep all of the accounts prescribed in this system of accounts (Chapter XXVI) that are applicable to their affairs. Companies that desire more detailed accounting may adopt the accounts prescribed for Class A or Class B telephone companies contained in the Uniform System of Accounts for Telephone Companies, Issue of June 19, 1935, as amended or as hereafter amended. Companies that exercise this option shall promptly notify the Commission of such action.

prescribed by the Commission for Class D companies. However, it is recommended that such companies keep all the accounts prescribed in this system of accounts or the accounts recommended for Class D companies as listed in section 462.04 (formerly Appendix B).

Nore.—In order that frequent changes may be avoided, companies operating established telephone plants shall adopt the scheme of accounts indicated by the average of their annual operating revenues for the 3 years immediately preceding the effective date of this system of accounts. If at the close of any calendar year the average of their annual operating revenues for the latest 3 years exceeds \$50,000, the system of accounts for Class B or Class A telephone companies, as appropriate, shall be adopted. New companies shall estimate the amount of their annual operating revenues and shall adopt the scheme of accounts appropriate for the amount of such estimated revenues.\*#

#### PART 451. DEFINITIONS

Sec.

451.01 Restrictive use of certain terms.

Sec. 451.01 Restrictive use of certain terms. When used in this system of accounts, unless otherwise indicated:

"Accounts" or "these accounts" means the accounts prescribed in this system of accounts.

"Affiliated companies" means companies that directly or indirectly through one or more intermediaries control, are controlled by, or are under common control with, the accounting company.

"Amortization" means the gradual extinguishment of an amount in an account by prorating such amount over a fixed period, over the life of the asset or liability to which it applies, or over the period during which it is anticipated the benefit will be realized.

"Book amount", as applied to securities issued or assumed by the company, means (1) the amount duly authorized for inclusion in account 2100, "Capital stock", for stock having no par value and (2) the face amount of all other securities.

"Book cost" means the amount at which property is recorded in an account without the deduction of amounts in related reserves or other accounts.

"Commission" means the Federal Communications Commission.

"Company" or "the company" means the accounting company.

"Cost" means the amount of money actually paid (or the then current money value of any consideration other than money given) for property or services.

"Cost of removal" means the cost of demolishing, dismantling, tearing down, or otherwise removing telephone plant, including the cost of transportation and handling incidental thereto.

"Debt expense" means all expenses incurred in connection with the issuance and sale of evidences of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or

(f) No uniform system of accounts is graving and printing bonds, certificates of indebtedness, and other commercial paper; fees to trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions to underwriters, brokers, and salesmen; fees and expenses of listing on exchanges; and other like costs.

"Depreciation", as applied to depreciable telephone plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of telephone plant in the course of service from causes known to be in current operation, against which the company is not protected by insurance, and the effect of which can be forecast with a reasonable approach to accuracy. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand, and the requirements of public authorities.

"Face amount", as applied to securities issued or assumed by the company, means the amount of principal set forth in the documents themselves.

"Investment advances" means advances, represented by notes or by book accounts only, with respect to which it is mutually agreed or intended between the creditor and the debtor that they shall be settled by the issuance of capital stock or funded debt or shall not be subject to current cash settlement.

"Net book cost", as applied to telephone plant, means the book cost less amounts in related depreciation and amortization reserves. As applied to other property, it means the book cost less amounts in related reserves for loss in value.

"Net salvage value" means the salvage value of property retired after deducting the cost of removal.

"Retired", as applied to plant, means removed, sold, abandoned, destroyed, or otherwise withdrawn from telephone service.

"Salvage value" means the amount received for property retired, if sold, or, if retained for reuse, the amount at which the material recovered is chargeable to account 1680, "Material and supplies."

"Service life" means the period between the date when telephone plant is placed into service and the date of its retirement.

"Service value" means (1) the difference between the book cost and the salvage value of station apparatus or station wiring and (2) the difference between the book cost and the net salvage value of other telephone plant.

"Stock expense", as applied to capital stock, means all expenses incurred in connection with the issuance, sale, or resale of capital stock, such as fees and commissions (including the cash value of securities) paid to promoters, underwriters, brokers, and salesmen;

subscriptions for capital stock, including fees, commissions, and advertising; cost of obtaining governmental authority and filing notices thereunder; fees and taxes for issuance of capital stock and listing on exchanges; and cost of preparing, engraving, printing, issuing, and distributing prospectuses and stock certificates in connection with both original and additional capital stock issues.\*#

#### PART 452. INSTRUCTIONS-GENERAL

Sec.

452.01 Classification of companies.

452.02 Records.

Interpretation of item lists. 452.03 452.04

Submission of questions. Book cost of securities owned. 452.05

Sec. 452.01 (Instruction 1) Classification of companies. For the purpose of this system of accounts (Chapter XXVI). telephone companies having average annual operating revenues not exceeding \$50,000 shall be divided into two classes as follows:

Class C.—Companies having average annual operating revenues exceeding \$25,000 but not exceeding \$50,000.

Class D.—Companies having average annual operating revenues not exceeding \$25,000.\*#

Sec. 452.02 (Instruction 2) Records. (a) The accounts prescribed herein shall be kept by the double-entry method. Tho company's records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. When the full information is not recorded in the general books, the entries therein shall be supported by other records, in which the full details shall be shown, and the general book entries shall contain sufficient reference to the detail records to permit ready identification. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of the Commission.

(b) Attention is directed to the following extracts from section 220 of the Communications Act of 1934:

(d) In case of failure or refusal on the part of any such carrier to keep such accounts, records, and memoranda on the books and in the manner prescribed by the Commission, or to submit such accounts, records, memoranda, documents, papers, and correspondence as are kept to the inspection of the Commission or any of its authorized agents, such carrier shall forfeit to the United States the sum of \$500 for each day of the continuance of each such offense.

(e) Any person who shall willfully make any false entry in the accounts of any book of accounts or in any record or memoranda kept by any such carrier, or who shall willfully destroy, mutilate, alter, or by any other means or device falsify any such account, record, or memoranda, or who shall willfully neglect or fall to make full, true, and correct entries in such accounts, records, or memo-randa of all facts and transactions appertaining to the business of the carrier, shall be deemed guilty of a misdemeanor, and shall be subject, upon conviction, to a fine of not less than \$1,000 nor more than \$5,000 or imprisonment for a term of not less than one year nor more than three years, or both such fine and imprisonment: Provided, That the Commission may in its discretion issue orders recording evidences of debt; cost of en- | fees for legal services; cost of soliciting | specifying such operating, accounting, or financial papers, records, books, blanks, or documents which may, after a reasonable time, be destroyed, and prescribing the length of time such books, papers, or documents shall be preserved.

- (c) The Interstate Commerce Commission's order of November 3, 1919, as amended, prescribing "Regulations to Govern the Destruction of Records of Telephone, Telegraph, and Cable Companies (Including Wireless Companies)' shall remain in effect until further amended or revised.
- (d) Companies may subdivide any accounts prescribed herein, provided such subdivisions do not impair the integrity of the prescribed accounts; and companies may keep clearing, temporary, or experimental accounts if they wish, in addition to the prescribed accounts.
- (e) Each company shall keep its books of account on monthly or other appropriate uniform basis so that for each accounting period all transactions applicable thereto, as nearly as can be ascertained, will be entered in the books. Each company shall close its books of account at the end of each calendar year, unless otherwise authorized by the Com-
- (f) All charges to the accounts prescribed in this system of accounts for telephone plant, operating revenues, operation and maintenance expenses, and other operating revenue deductions shall be just and reasonable, and any payments by the company in excess of such just and reasonable charges shall be included in account 7100, "Other miscellaneous deductions from income."\*#
- SEC. 452.03 (Instruction 8) Inter pretation of item lists. Lists of items following the texts of the several accounts are for the purpose of indicating the application of the prescribed accounting in specific cases. The lists are not to be considered as comprising all the items includible in the several accounts but merely as representative of them. On the other hand, the appearance of an item in a list warrants the inclusion of such item in the account concerned only when the text of the account warrants its inclusion, inasmuch as the same item frequently appears in more than one list. The proper entry in each instance must be determined by the texts of the account.\*#

Sec. 452.04 (Instruction 9) Submission of questions. Responsible officials of the company shall submit all questions involving interpretation of the prescribed accounting to the Commission for consideration and decision. There shall also be submitted to the Commission for consideration and decision questions with respect to spreading over a number of years relatively large revenue, expense, or income items which if included in the accounts for a single year would seriously distort those accounts; also questions with respect to the disposition of relatively large items that relate to transactions that occurred prior to the current calendar year but were not recorded in the books of account in a prior year.

Ordinary delayed items should be charged or credited to the same accounts to which they would have been charged or credited had they not been delayed."#

Sec. 452.05 (Instruction 12) Book cost of securities owned. (a) Securities of others acquired by the company shall be initially recorded in these accounts at cost.

(b) The book cost of such securities shall be reduced to a nominal value if there is no reasonable prospect of a substantial value, but fluctuations in market value shall not be recorded in the accounts. Amounts by which such securities are (or may be) thus reduced shall be charged to account 7100, "Other miscellaneous deductions from income." The company shall maintain a complete record of the facts on which it bases such adjustments.\*#

PART 453. INSTRUCTIONS—BALANCE-SHEET ACCOUNTS

Sec. 453.01 Capital stock. 453.02 Long-term debt.

Sec. 453.01 (Instruction 14) Capital stock. (a) All transactions relating to capital stock of the accounting company shall be recorded by class of stock. Stocks are of the same class only when they are issued under identical terms as to all of the following: par value, stated value, preferences in distribution of dividends and assets, voting rights, and conditions under which they may be retired. If the stocks of a company are of two or more classes, the records of the company shall be so kept as to distinguish the amounts applicable to each class in each of the following accounts:

#### Account

Subscriptions to capital stock. Discount on capital stock. 1700 1850

Capital stock expense. 1900

Reacquired securities. Capital stock. 2100

Obligations for stock conversion.

2150

Premium on capital stock.
Capital stock subscriptions and installments.

- (b) When, by compliance with the laws of the State under which it is incorporated, a company is authorized to issue shares of capital stock, a memorandum entry in account 2100, "Capital stock", shall be made showing the number of shares, the par or the stated value of each share, and the total authorized capitalization.
- (c) When stock having a par value is sold for cash, the recording entry shall be as follows:
  - (1) When sold at par:

Account 1600, "Cash" Account 2100, "Capital stock"	\$	
For the sale of sharat its par value of p		stock
(2) When sold at less	than p	r:

			<u>-</u>	
t 1600,	"Casl	a"		Credit
	nt 1600, nt 1850,	nt 1600, "Casi nt 1850, "Disc	nt 1600, "Cash" nt 1850, "Discount o	nt 1600, "Cash"\$tt 1850, "Discount on all stock"\$

		"Capital	 \$
having a	par va	shar	
pa			

(3)	When	sold	at	more	than	par
-----	------	------	----	------	------	-----

Account 1600, "Cash".	Debit	Credit
Account 2100, "Ca	pital	
Account 2159, "Premiu capital stock"	m on	·
For the sale of having a par value of rer share		

- (d) When stock having a par value is sold through a legally enforceable subscription, the recording entries shall be as follows:
  - (1) When sold at par:

	Debit	Credit
Account 1700, "Subscriptions to capital stock" Account 2180, "Capital stock subscriptions and		
installments"		\$
For subscriptions tostock at its par value of	_shares	ofshare.

Norn-When the subscription price is less Norn.—When the subscription price is less than par or more than par, the entries chall follow those outlined under subparagraphs (2) and (3) of paragraph (c) of this instruction, with appropriate substitution of account 1700, "Subscriptions to capital stock", for account 1600, "Cash", and of account 2160, "Capital stock subscriptions and installments", for account 2100, "Capital stock."

(2) When cash is received on account of a subscription to capital stock, the recording entry shall be as follows:

_				De	Dit	Credit
Accoun	t 1600, '	'Carl	1"	\$		
Accoun	t 1700,	"Su	beerin-	•		
						8
	receipt	of	cash	on	sub	cription
of						

(3) When a subscription has been fully paid the recording entry shall be:

Account 2180, stock subscript	ions and	Deont	Great
Installments" Account 2100,	"Capital		
stock"			\$

For the issuance of ... \_ shares of \_ stock on fully paid subscription of \_\_\_

- (e) When stock is sold on a partial or installment payment plan to subscribers with whom there is no legally enforceable subscription contract, and who are entitled to be reimbursed for the principal amount of their payment, with or without interest, in the event they fail to complete payments for the stock and receive certificates therefor, the entries shall be as follows:
  - (1) When cash is received:

Account 1600, "Cash" Account 2180, "Capital stock subscriptions and		
installments"		\$
For receipt against subser shares of stock at _	diption o	f r share.

(2) When the installment payments are completed and the stock is issued, the recording entry shall be as indicated in subparagraphs (1), (2), or (3) of

appropriate substitution of account 2180. "Capital stock subscriptions and installments", for account 1600, "Cash."

(f) Before recording journal entries which it is proposed to enter in the company's books to record the issuance or assumption by the company of no-par capital stock or appropriations of surplus for transfer to no-par capital stock accounts, the plan of accounting shall be presented to this Commission for consideration and approval. Such plan shall be accompanied by a statement giving complete information with respect to the basis upon which the amounts to be recorded have been determined and by a copy of the authorization issued by the regulatory body approving the issuance of no-par stock.

(g) All stock expense shall be charged to account 1860, "Capital stock expense."

(h) When par-value capital stock that has been issued by the accounting company is reacquired, the par value of the amount reacquired shall be recorded in account 1900, "Reacquired securities" until such time as the stock is retired or cancelled. The difference between (a) the amount paid therefor plus the expenses incurred in connection with their reacquisition and (b) the par value plus the premium or less the discount and less the expense originally entered in respect thereto and not charged off shall be charged or credited, as appropriate, to account 2900, "Surplus."

(i) When no-par capital stock that has been issued by the accounting company is reacquired, the accounting shall be the same as for capital stock having a par value, except that the proportionate amount at which the particular class of no-par capital stock is included in account 2100, "Capital stock," shall be used in lieu of the par value in all entries.\*#

Sec. 453.02 (Instruction 15) Longterm debt. (a) All transactions relating to long-term debt of the accounting company shall be recorded by class of debt. Long-term debt issues are of the same class only when issued under identical terms as to all the following: principal amount, interest dates payable and rate of interest, maturity date, redemption price, priority of underlying security, and conditions set forth in the evidence of indebtedness issued in respect thereof.

(b) If the long-term debt is of two or more classes, the records of the company shall be so kept as to distinguish between the amounts applicable to each class in each of the following accounts:

## Account

1880 Unamortized debt discount and ex-

pense. Reacquired securities. 1900

Funded debt. 2200

Receivers' certificates. 2230 2290

Other long-term debt. Unamortized premium on long-term 2500 debt.

(c) When long-term debt is issued, if the amount of money (or the then current value of any consideration other than money) received therefor is greater

paragraph (c) of this instruction, with term debt plus the interest accrued and tributed shall be credited to account plus the debt expense incurred in connection with the issuance and sale, the excess shall be included in account 2500, "Unamortized premium on long-term debt."

(d) When long-term debt is issued, if the amount of money (or the then current value of any consideration other than money) received therefor is less than the principal amount of such longterm debt plus the interest accrued and plus the debt expense incurred in connection with the issuance and sale, the difference shall be included in account 1880, "Unamortized debt discount and expense."

(e) When long-term debt that has been issued by the accounting company is reacquired, the principal amount thereof shall be included in account 1900, "Reacquired securities," until such long-term debt is resold, or is retired and cancelled. Any difference between (a) the amount paid to reacquire the securities, plus the expenses incurred in connection with the reacquisition, and (b) the face value of the securities, plus the accrued interest thereon, shall be included in account 2900. "Surplus." included in account 2900, Concurrently, the proportionate amount which is included in account 2500, "Unamortized premium on long-term debt," or in account 1880, "Unamortized debt discount and expense," applicable to the class of securities which was reacquired, shall be written out of such accounts and shall be included in account 2900, "Surplus."\*#

## PART 454. INSTRUCTIONS—TELEPHONE PLANT ACCOUNTS

Sec.

Purpose of telephone plant accounts. Telephone plant acquired. 454.01 454.02

454.03 Cost of construction.

Expenditures on property leased for 454.04 telephone use.

Telephone plant retired. 454.05

SEC. 454.01 (Instruction 20) Purpose of telephone plant accounts. The telephone plant accounts are the accounts in which is recorded the cost of property (both tangible and intangible) used in telephone operations and physical property held for imminent use in telephone service under a definite plan for such use. The cost of plant shall be recorded in accounts 1001 to 1077, inclusive, in accordance with the texts of those accounts.

(b) Telephone plant contributed to the company shall be included in the telephone plant accounts at its original cost of construction less the amounts of estimated depreciation and amortization applicable to such plant. Amounts so included in the plant accounts shall be credited to account 2800, "Contributions of telephone plant."

(c) Telephone plant constructed or acquired through the expenditure of money or its equivalent contributed to the company shall be included in the telephone plant accounts at the cost of construction or acquisition, and the than the principal amount of such long- amount of money or its equivalent con- In determining the cost of material used,

2800.

(d) The cost of individual items of work equipment, such as hand and other portable tools that are likely to be lost or stolen or that have relatively small value (\$10.00 or less) or short life, shall be included in the telephone plant accounts only when the investment in such property is relatively large and the correctness of the accounting therefor is verified by current inventory. When not so verified the cost of such items shall be charged to the operation and maintenance expense (or clearing) account appropriate for the use of such items.\*#

SEC. 454.02 (Instruction 21) Telephone plant acquired. (a) When property that comprises a substantially complete operating unit or system is acquired, the amount paid for the property (together with the preliminary expenses incurred in connection with the acquisition) shall be charged to account 1076, "Telephone plant acquired."

(b) The amount paid for the property plus the preliminary expenses shall then be credited to account 1076 and distributed to the telephone plant and other appropriate accounts in such manner as the Commission may approve or direct. Copies of journal entries recording the distribution of amounts in account 1076 shall be submitted to the Commission within 60 days from the date of acquisition.

Note.—In connection with the acquisition of substantially complete operating units or systems the company shall procure from the grantor (and the grantor shall deliver) all existing records, or certified copies thereof, relating to the property acquired. #

Sec. 454.03 (Instruction 22) Cost of construction. (a) The cost of construction of property chargeable to the telephone plant accounts shall include the cost of labor, material and supplies, transportation, contract work, relief and pensions, protection, injuries and damages, privileges and permits, taxes, special machine service, interest during construction, insurance, construction services, and other analogous elements in connection with such work.

(b) The following is a description of the major items referred to in the foregoing paragraph:

(1) "Cost of labor" includes the pay and expenses of employees directly engaged in or being trained for construction work, of foremen in direct charge thereof, and an equitable portion of the cost of local plant administration, general plant supervision and engineering, and of the pay and the office and other expenses of general officers and general office employees devoting part of their time to supervisory, administrative, or clerical functions in connection with construction work.

(2) "Cost of material and supplies" includes the purchase price at the point of free delivery plus the costs of inspection, loading and transportation, and an equitable proportion of supply expense. proper allowance shall be made for unused material, for material recovered includes the amount of interest applifrom temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of material.

- (3) "Cost of transportation" includes the cost of transporting employees, material and supplies, tools, and other work equipment. It includes amounts paid therefor to other companies or individuals and the cost of the company's own motor vehicle service or other transportation service.
- (4) "Cost of contract work" includes amounts paid for work performed under contract by other companies, firms, or individuals, engineering and supervision applicable to such work, costs incident to the award of contracts, and the inspection of such work. The cost of construction work performed by affiliated companies and other details relating thereto shall be available from the work in progress or other supporting records.
- (5) "Cost of protection" includes the cost of protecting the company's property from fire or other casualties and the cost of preventing damages to others or the property of others.
- (6) "Cost of injuries and damages" includes expenditures or losses on account of injuries to persons and damages to the property of others.
- (7) "Cost of privileges and permits" includes payments for and expenses incurred in securing privileges, permits, or rights in connection with construction work, such as for the use of private property, streets, or highways. The cost of such privileges and permits shall be included in the cost of the work for which the privileges or permits are secured, except for costs includible in account 1002, "Franchises," and account 1007, "Right of way."
- (8) "Taxes" includes taxes on physical property during construction and before the facilities are completed ready for service, assessed separately from taxes on operating property or under conditions that permit separate identiflication or allocation of the amount chargeable to construction. It includes the portion, applicable to construction costs, of taxes imposed under the Social Security Act and similar State statutes.
- (9) "Special machine service" includes the cost of labor expended, materials and supplies consumed, and other expenses incurred in the maintenance, operation, and use of special machines (other than transportation equipment), such as trenching machines. earth-boring machines, etc., and other labor-saving machines; also expenditures for rental, maintenance and operation of such machines owned by others. When a construction job requires the purchase of special machines, the cost thereof, less the appraised or salvaged value at the time of their release from the job, shall be included in the cost of the project.

- (10) "Interest during construction" cable to the construction period upon all moneys, including the company's own funds, used in the acquisition or construction of telephone plant and shall be charged to the accounts appropriate for the cost of the property acquired or constructed and credited to account 7600, "Interest charged to construction—Cr."
- (11) "Insurance" includes premiums paid or amounts credited to account 2790, "Other reserves," for the protection against loss and damages (in connection with the construction of telephone plant) due to fire or other casualty, injury to or death of employees or others, damages to property of others, defalcations of employees and agents, and the nonperformance of contractual obligations of others.
- (12) "Construction services" includes the cost of telephone, water, light, power, office space, equipment and analogous items allocated to the construction project and similar items furnished by the company through its regular operating facilities.\*#

Sec. 454.04 (Instruction 23) Expenditures on property leased for telephone use. (a) Except as provided in paragraph (d) of this instruction, the cost of initial repairs and rearrangements to adapt property leased from others to telephone use shall be charged to the prepaid rents subdivision of account 1800, "Prepayments," and shall be amortized over the life of the lease or the life of the property, whichever is the shorter, through credits to that account and concurrent debits to the rent subdivision of account 4190, "Other operation expenses."

- (b) Except as provided in paragraph (d) of this instruction, the cost of additions and betterments to property leased from others shall be charged to separate subdivisions of the telephone plant accounts appropriate for the class of property leased. When such cost is included in the telephone plant accounts, depreciation charges therefor shall include the amortization of such improvements, computed on the basis of the expected service life to the lessee.
- (c) If, in the case of the lease of a substantially complete operating unit or system, replacements of units of property installed by the lessor become necessary, the company shall make application to the Commission for instructions regarding the accounting procedure to be followed, and shall submit full particulars of the nature and extent of the replacements.
- (d) When expenditures on property leased from others for use in telephone operations are of relatively minor cost or of relatively short life, or if the period of the lease is less than one year, the cost shall be charged to the account chargeable with the cost of repairs of such plant.\*#

Sec. 454.05 (Instruction 25) phone plant retired. (a) Depreciable telephone plant: For the purpose of avoiding undue refinement, the accounting for retirements and replacements of depreciable telephone plant shall be as follows:

- (1) Units of property.—This group includes major items of property, a list of which is shown in Section 461.01 (formerly Appendix A). The book cost of any such item retired shall be credited to the appropriate plant account and charged to account 2600, "Depreciation reserve," whether or not it is replaced. Account 2600 shall also be charged with the cost of removing such plant (except station apparatus and station wiring) and shall be credited with the amount received for any materials recovered and sold, or the cost (estimated if not known) of the materials if returned to stores. The cost of property installed in place of the property retired shall be charged to the appropriate telephone plant account.
- (2) Minor items.—This group includes any part or element that is not designated as a unit of property. The accounting for such items shall be as follows:
- (i) When a minor item of property that does not replace a similar item is added to telephone plant, the cost thereof shall be charged to the appropriate plant account except that, if the items are of minor cost or few in number, the cost may be charged to the maintenance accounts.
- (ii) When a minor item is retired and replaced independently of the unit of property of which it is a part, the cost of replacement shall be charged to the appropriate maintenance account and no entry shall be made in the telephone plant or depreciation reserve accounts. The removal and replacement of poles shall be handled as additions and retirement of property and not as maintenance.
- (iii) When a minor item is retired and not replaced the book cost shall be credited to the appropriate telephone plant account and charged to account 2600, "Depreciation reserve" (see particularly paragraph (B) of the text of that account), except that, if the book cost of a minor item of property is accounted for through the retirement of a unit of property, no separate credit to the telephone plant account shall be made when such an item is retired.

Norz.—For example, a pole is a unit and, if the cost of attachments such as pole steps, guys, etc., is included in the cost of poles, either by spreading the cost on an average basis over all the poles or as a part of the cost of the pole to which they are attached, no separate credit to the plant account need be made when such an attachment is retired, even though not replaced. Any labor in connection with the removal of such attachments chould be charged to the appropriate mantenance account, and any salvage for material recovered should be credited to the appropriate maintenance account.

removed from customers' premises, the book cost of station installations and inside, drop, and block wires (whether such wires are removed or not) thereby retired from service shall be charged to account 2600, "Depreciation reserve," and credited to account 1032, "Station wiring." When stations are reinstalled on premises where station installations and existing inside, drop, and block wires had been previously retired in accordance with the provisions of this instruction, charge account 1032 and credit account 2600 with the actual or average amount at which the station installations and inside, drop, and block wires had previously been charged to account 2600. The cost of removing station apparatus and inside, drop, and block wires shall be charged to account 4030. "Station removals and changes." The cost of reinstalling station apparatus and inside, drop, and block wires shall likewise be charged to account 4030.

(c) Land.—The book cost of land retired shall be credited to account 1011, "Land." If the land is sold, the difference between the book cost and the sale price (less commissions and other expenses of making the sale) of the land shall be credited or debited, as appropriate, to account 2900, "Surplus." If the land is retained by the company and held for sale, its cost shall be charged to account 1400, "Miscellaneous physical property." The accounting for leaseholds retired shall be as provided for in the texts of account 2700, "Amortization reserve," and account 5100, "Amortization of intangible property."

(d) Book cost of retirements. The book cost of telephone plant retired shall be the amount at which such property is included in the telephone plant accounts when such amount can be determined from the company's records. Ordinarily, such records shall be used in the retirement of land, buildings, complete central offices, furniture, and other items of plant for which individual cost records are maintained. When: the actual book cost cannot be determined from the records, it shall be estimated. When it is impracticable to determine the book cost of each item due to the relatively large number or small cost of such items, an average book cost of the items may be used in determining the book cost of the items retired with proper allowance for items of different size and character. This method of average book cost may be applied in retirement of such items as telephones, bell boxes, station installations, poles, crossarms, wire, cable, cable terminals, conduit, and nonmultiple private branch exchange switch-

(e) The accounting for the retirement of property recorded in the accounts for organization, franchises, patent rights, and other intangible property shall be as

(b) Station wiring.—When stations are provided for in the texts of account 2700, moved from customers' premises, the "Amortization reserve," and account took cost of station installations and 5100, "Amortization of intangible propside, drop, and block wires (whether erty."

(f) When telephone plant is sold together with the telephone traffic associated therewith, the book cost of the plant shall be credited to the appropriate plant accounts, and the estimated amounts carried with respect thereto in the depreciation and amortization reserve accounts shall be charged to such reserve accounts. The difference, if any, between (a) the net amount of such debit and credit items and (b) the consideration received (less commissions and other expenses of making the sale) for the property shall be debited or credited, as appropriate to account 2900, "Surplus."

Note.—In connection with the sale of a substantially complete operating unit or system the company shall deliver to the purchaser all existing records, or certified copies thereof, relating to the property sold.\*#

PART 455. INSTRUCTIONS—OPERATING REVE-NUE ACCOUNTS

Sec.

455.01 Purpose of operating revenue accounts.

Sec. 455.01 (Instruction 50) Purpose of operating revenue accounts. (a) The operating revenue accounts (3010 to 3090, inclusive) are designed to show the amounts of money which the company becomes lawfully entitled to receive, less uncollectible revenues, from the furnishing of telephone service (including operations incidental thereto). Credits to the various revenue accounts shall be based upon the actual amounts chargeable for services rendered by the company. It is not required that undetermined amounts of revenue at pay stations lost through fire, theft, or collection of slugs or coins having no legal tender value shall be included in the operating revenue accounts.

- (b) In addition to monthly service charges, the operating revenue accounts appropriate for the class of service involved shall be credited with:
- (1) Amounts charged for connection, restoration and termination of service, and for inside moves, outside moves, instrument changes, and similar service requirements.
- (2) Amounts of initial non-recurring charges for special or auxiliary plant or equipment furnished in rendering service to a customer, except that charges for the cost of providing plant or equipment the ownership of which rests with or will revert to the customer shall be credited to the accounts charged with the cost of such plant or equipment.
- (3) Amounts of service charges for supplemental or auxiliary equipment furnished in rendering service to a customer—for example, extension stations, auxiliary receivers, auxiliary signals, code calling and conference equipment, etc.

(c) The classification of operating revenues provides separate accounts for local revenue and for toll revenue. In case it is necessary to apportion the revenue between these accounts, the company shall be prepared when so required by this Commission to furnish the basis used in making such apportionment.

(d) Discounts allowed customers for prompt payment, corrections of over-charges, authorized refunds of over-collections theretofore credited, authorized refunds and adjustments on account of failures in service, and other corrections, shall be charged to the revenue account previously credited with the amounts involved.\*#

# PART 456. INSTRUCTIONS—OPERATING EXPENSE ACCOUNT

Sec.

456.01 Maintenance expenses, 456.02 Prepaid expenses, 456.03 Accrued expenses.

Sec. 456.01 (Instruction 61) Maintenance expenses. Maintenance expenses include the cost of the labor (including the wages or salaries of foremen and others in direct charge) and material used, and the amount of other expenses incurred, in the work of repairs and similar activities, such as the following:

- (1) Testing for, locating, and clearing crosses, breaks, grounds, and other line troubles, including routine work intended to prevent such troubles, as, for example, pulling up slack, tightening guys, resetting guy stubs, trimming trees, straightening poles and crossarms, and cleaning and adjusting apparatus.
- (2) Replacing minor or short-lived parts of structures, equipment, or facilities such as:

Dry batteries.
Bolts.
Nuts.
Crossarm braces.
Pole steps.
Generator brushes.
Cross connecting wires.

- (3) Replacing minor parts of exchange or toll lines when made necessary by faulty adjustments, excessive strains, mechanical injuries, or other minor casualties.
- (4) Rearranging and changing location of plant, including rearranging circuits, reassociation of party lines, rearranging grouping of trunks and calling circuits, rerunning jumper wires and connecting on distributing frames, underlining switchboard jacks, removing and reinstalling station apparatus and station wiring, etc.
- (5) Repairing material for reuse. (See also paragraph (C) of account 1680, "Material and supplies.")
- (6) Restoring the condition of property damaged by storms, flood, fire, or other casualties (see note below), and in-

been made.

Note.—The replacement of major items of property shall be accounted for as provided in paragraph (a) of section 454.05 (instruction 25); extensive losses may be accounted for as provided in paragraph (d) of section 458.01 (instruction 80).\*#

Sec. 456.02 (Instruction 65) Prepaid expenses. When payment of an expense is made in advance of the period to which it applies, it is necessary that a means be provided for charging in each month or period the proper portion of the expense. For example, if an insurance premium amounting to \$240 is paid on a policy running two years into the future, the payment should be recorded as follows:

Debit Credit

Account 1800, "Prepayments"\_ \$240 Account 1600, "Cash"\_\_\_\_\_ \$240

Each month an entry should be made as follows:

Debit Credit

Account 4190, "Other operation expenses" expenses"\_\_\_\_\_\_Account 1800, "Prepayments"\_

At the end of two years the entire amount charged to account 1800, "Prepayments," will have been charged to operating expenses.\*#

Sec. 456.03 (Instruction 66) Accrued expenses. Certain expenses, such as taxes, are paid in a single amount at a specified date although the expense is applicable to more than one accounting period. In order to account properly for such expenses it is necessary that the amount shall be so recorded as to include in the statements for the month or other accounting period all amounts properly applicable thereto. This is accomplished by charging the proper portion of the item to expenses each month and crediting a corresponding amount to the appropriate liability account. When payment for the expense item is made, the liability account will be charged with such payment. For example, assuming that income taxes for the year are estimated at \$1,200, an entry should be made each month as follows:

Account	5500,	"Income	Deoit	Creatt
		mome	\$100	
Account	2400,	"Accrued	4	-
liabiliti	es''			\$100

Any differences between the estimated and the actual tax liability should be adjusted through account 5500 in the current accounts. Assuming that the actual tax liability is determined to be \$1,250, instead of \$1,200 as estimated, the adjusting entry would be:

			Debit	Credit
		"Income	850	
Account	2400,	"Accrued	•	
liabiliti	es"			850

When the tax is paid, the amount of the payment should be charged to accrued

Account 2400. "Accrued	Debit	Credit
liabilities"\$		\$1,250

to be less than that estimated, the adjusting entry would credit account 5500 and charge account 2400 with the excess of the estimate over the actual tax liability.\*#

PART 457. INSTRUCTIONS—CLEARING ACCOUNTS

Sec.

457.01 Clearing accounts.

Sec. 457.01 (Instruction 70) Clearing accounts. (a) Clearing accounts are authorized for use as a medium for distributing certain items that affect more than one primary account and that cannot be appropriately allocated as they are incurred. An example is items of transportation expenses that are incurred by the use of automobiles for both construction and operating purposes.

(b) The balances in the clearing accounts shall be distributed to the appropriate accounts as at the close of the calendar year unless amounts included therein appropriately affect the accounting for future periods. Undistributed balances shall be included in the balance sheet under account 1890, "Other deferred charges," or account 2590, "Other deferred credits," as appropriate.

(c) The company's records shall be so maintained that an analysis of undistributed items in clearing accounts at the close of the calendar year may be shown in the reports to the Commission.\*#

PART 458. INSTRUCTIONS—DEPRECIATION ACCOUNTING

458.01 Depreciation accounting.

SEC. 458.01 (Instruction 80) Depreciation accounting. (a) All telephone plant shall be considered depreciable and subject to charges for depreciation expense except plant the cost of which is included in accounts 1001, "Organization," 1002, "Franchises," 1005. "Miscellaneous intangible property," and 1011, "Land."

(b) Depreciation charges shall be computed and accounted for on the straight-line method, that is, on a plan under which the service value of property is charged to account 5000, "Depreciation expense," and to clearing accounts (if kept) and credited to the depreciation reserve account uniformly throughout its service life.

(c) Except as provided in paragraph (f) of section 454.05 (instruction 25), when a unit of depreciable plant is retired from service, the book cost of the plant retired shall be credited to the appropriate telephone plant accounts and charged to account 2600, "Depreciation reserve." The cost of removal shall likewise be charged to account 2600 (except the cost of removal of station apparatus and station wiring) and the salvage value of the plant retired credited thereto.

(d) Extraordinary charges to account 2600 under the provisions of paragraph (c) above for retirement of plant de-

specting and testing after repairs have If the actual tax liability is determined | stroyed by storms, floods, etc., or for other causes, when such charges cause undue depletion of the depreciation reserve, may, when so authorized by the Commission, be credited to account 2600 and charged to account 1890. "Other deferred charges."

(e) For illustration of the application of the straight-line method, assume that depreciable telephone plant costing \$100,000 has an estimated service life of 30 years, and an estimated net salvage value of 10%, or \$10,000, and a service value of 90% or \$90,000. The annual depreciation rate would be 3% computed by dividing 90% by the service life of 30 years. The annual depreciation charge would be \$3,000, or 3% of \$100,000. The monthly charge for depreciation expense would be 1/12 of the annual charge, or \$250.

The journal entries to record the monthly depreciation charge as computed above would be as follows:

Account 5000, "Depreciation ex-\_ \$250 pence"\_\_\_\_\_\_\_Account 2600, "Depreciation re-SCIVO"\_

(f) The procedure for recording the retirement of plant is illustrated by the following example. The accounting here described and illustrated shall be performed regardless of whether the unit retired has been in service more or less than the average number of years of the group to which it belongs. The entries to record the retirement of a switchboard that cost \$800 for materials and \$200 for labor of installation (a total of \$1,000), and cost \$20 for removal, are as follows:

Debit Credit Account 2600, "Depreciation 81,000 \_ Account 1021, "Central office cquipment" Book cost of switchboard removed from Debit Credit Account 2600, "Depreciation referre"\_\_\_\_\_\_\_\_Account 1600, "Cash" (or accounts payable)\_\_\_\_\_\_ \_ \$20 \$20

Wages paid for removing switchboard. If the switchboard is sold upon retirement, say for \$100, the following entry

is necessary:

Debit Credit Account 1600, "Cash"\_\_\_\_\_\_\$100 \_\_\_\_ Account 2600, "Depreciation reserve" \_\_\_

If the switchboard is held for later sale. the following entry is necessary:

Debit Credit Account 1680, "Material and supplies" Account 2600, "Depreciation re-perve" Estimated calvage value of switchboard

retired and held for sale. If the switchboard is reusable and is held for reuse in telephone service, the following entry is necessary:

Debit Credit Account 1680, "Material and supplies"\_\_\_

No. 17-2

Account 2600, "Depreciation re-\$800

Material cost of switchboard retired and held for reuse, as provided in subparagraph (1) of paragraph (C) of account 1680.\*#

459. INSTRUCTIONS-WORK-ORDER SYSTEM

Sec.

459.01 Work-order system recommended.

Sec. 459.01 (Instruction 90) Workorder system recommended. (a) It is recommended that each telephone company record all changes such as installations, additions, retirements, or replacements of telephone plant by means of a work-order or job-order system. Projects of less than \$200 may be covered by standing work orders.

- (b) The work order proper should include the following particulars:
  - (1) A work-order number.
- (2) The description and the location of the work to be done (or the purchase to be made), the dates between which such work (or purchase) is to be accomplished, the date the work is begun and the date it is finished, together with maps, plans or diagrams, specifications, etc., applicable to the project.
- (3) The accumulated charges applicable to each particular job or project and the total cost of the completed project; also the cost of removal. (When any project involves charges to more than one account, the work order should be kept so as to show the amount chargeable to each account. Every charge or credit on work orders should refer to the voucher, journal, or other source from which the entry therein was made.)
- (c) The cost of completed projects should be promptly transferred to the telephone plant accounts to which they are chargeable.\*#

PART 460. PRESCRIBED ACCOUNTS

Sec.

460.01 Accounts prescribed to be kept.

SEC. 460.01 Accounts prescribed to be kept.\*#

## BALANCE-SHEET ACCOUNTS

## ASSET SIDE

## Innestments

Account

1000. Telephone plant.
1100. Telephone plant under construction.

1200. Plant adjustments.

1300. Investments in securities.
1400. Miscellaneous physical property.

1500. Fund accounts.

## Current Assets

1600. Cash.

1620 Temporary investments.

1640. Notes receivable.

1650. Due from customers and agents.

1660. Accounts receivable.

1670. Interest and dividends receivable. 1680. Material and supplies.

1690. Other current assets.

## Other Assets

1700. Subscriptions to capital stock.

Prepayments and Deferred Charges

1800. Prepayments.

1850. Discount on capital stock.

1860. Capital stock expense.

1880. Unamortized debt discount and ex-

pense. 1890. Other deferred charges.

Reacquired Securities

1900. Reacquired securities.

#### LIABILITY SIDE

## Noncorporate Proprietorship

2010. Proprietary capital. 2020. Undistributed profits.

2100. Capital stock.

2130. Obligations for stock conversion.

2150. Premium on capital stock. 2180. Capital stock subscription and installments.

#### Long-term Debt

2200. Funded debt.

2230. Receivers' certificates.

2250. Advances from affiliated companies. 2290. Other long-term debt.

Current and Accrued Liabilities

2300. Notes payable.

2320. Accounts payable. 2340. Customers' deposits.

2350. Matured long-term debt. 2360. Advance billing and payments. 2390. Other current liabilities.

2400. Accrued liabilities.

## Deferred Credits

2500. Unamortized premium on long-term debt.

2590. Other deferred credits.

2600. Depreciation reserve. 2700. Amortization reserve.

2790. Other reserves.

Contributions of Telephone Plant 2800. Contributions of telephone plant.

Surplus

2900. Surplus.

#### Investments

ACCOUNT 1000. Telephone plant.—This account shall include the cost of telephone plant used in telephone service and physical property held for imminent use in telephone service under a definite plan for such use at the date of the balance sheet as classified under accounts 1001 to 1077, inclusive.

ACCOUNT 1100. Telephone plant under construction.—(A) This account shall include the cost of construction of telephone plant not ready for service at the date of the balance sheet.

(B) When any telephone plant, the cost of which is included in this account, is completed and ready for service, the cost thereof shall be credited to this account and charged to the telephone plant accounts.

Note.—It is not required that this account shall include the cost of construction work which will be completed and ready for service within a short period, such as the installation of station apparatus, and other work to be completed within a period of one or two months.

ACCOUNT 1200. Plant adjustments.

cost of telephone plant at the effective date of this system of accounts, other than differences attributable to contributions of plant includible in account 2800. "Contributions of telephone plant."

(B) This account shall include also such amounts as may be approved or directed by the Commission for inclusion herein with respect to acquisitions of telephone plant.

(C) The amounts recorded in this account shall be disposed of or written off or provision shall be made for the amortization thereof in such manner as the Commission may approve or direct.

ACCOUNT 1300, Investments in securities.—(A) This account shall include the book cost (see instruction 12) of securities issued or assumed by other companies, other than securities held in fund accounts or as temporary investments, and of investment advances to other companies.

(B) The records supporting the entries in this account shall be so maintained as to show separately the book cost of each security owned by the company.

(C) This account shall be so maintained that in the annual reports to the Commission the securities pledged as collateral security for any of the company's debt, or as security for the performance of contracts, may be shown separately from the securities unpledged.

(D) This account shall be subdivided as follows:

Investments in securities of amliated companies.

Investments in securities of others.

Investment advances to affiliated companies.

Investment advances to others.

ACCOUNT 1400. Miscellaneous physical property.—This account shall include the amount of the company's investment in physical property other than property the investment in which is includible in accounts 1000, "Telephone plant," 1100, "Telephone plant under construction," and 1200, "Plant adjustments." It shall include the amount of all assessments for the construction of public improvements levied against miscellaneous physical property.

ACCOUNT 1500. Fund accounts.—(A) This account shall include the amount of cash, the book cost (see section 452.05 (instruction 12)) of securities issued by other companies, the par or stated value of securities issued or assumed by the company, and other assets that are held by trustees or by the company's treasurer in a distinct fund for the purpose of redeeming outstanding obligations or for other specific purposes not provided for elsewhere.

(B) A separate subaccount, with a title that will designate the obligation in support of which the fund was created, shall be maintained for each fund.

(A) This account shall include the difference between the cost and the book

ACCOUNT 1200. Plant dayssments.—

Note.—Securities actually issued or assumed by the company that have been reacquired by it shall be either retired or

carried in account 1900, "Reacquired securities," unless it is required by provision carried in account 1900, recarding the courties," unless it is required by provision of a mortgage, or by the decision of a trustee not subject to control by the accounting company, that they be retained alive in sinking or other funds. When so retained they shall be considered as actually outgraphing but not otherwise. standing, but not otherwise.

#### Current Assets

ACCOUNT 1600. Cash .- This account shall include the amount of cash and other current funds on hand or on deposit in banks. It shall include, also, the amounts of cash on special deposit, other than in fund accounts, to pay dividends and interest, and for other purposes; and amounts advanced to officers, employees, and others as working funds or petty cash funds from which certain expenditures are to be made.

ACCOUNT 1620. Temporary investments.—(A) This account shall include the book cost (see section 452.05 (instruction 12)) of securities acquired for the purpose of temporarily investing cash, such as time drafts receivable and time loans, bankers' acceptances, United States Treasury certificates, and other similar investments of a temporary character.

(B) This account shall be subdivided as follows:

Securities of affiliated companies. Securities of others.

ACCOUNT 1640. Notes receivable.—(A) This account shall include the book cost (see section 452.05 (instruction 12)) of demand or time notes, bills, and drafts receivable, or other similar evidences (except interest coupons) of money receivable on demand or within one year from date of issue.

(B) This account shall be subdivided as follows:

Notes receivable from affiliated companies.

Notes receivable from officers and employees.

Notes receivable from others.

ACCOUNT 1650. Due from customers and agents.—This account shall include amounts owed to the company by customers for services rendered or billed and amounts due from agents and others authorized to collect operating revenues. The amount of notes held as security for customers' accounts may be carried in this account pending collection.

Note.-If the company elects to reserve amounts for uncollectible revenues, the amount of such reservations shall be credited to a subaccount hereunder designated account 1650-B, "Reserve for uncollectible count 1650-B, revenues-Cr."

ACCOUNT 1660. Accounts receivable.-(A) This account shall include amounts currently due from others not provided for in account 1650, "Due from customers and agents," or account 1670, "Interest and dividends receivable," such as those for traffic settlements, and other items not covering telephone service to customers.

(B) This account shall be subdivided as follows:

companies.

Accounts receivable from officers and able subscriptions to capital stock. employees.

Accounts receivable from others.

ACCOUNT 1670. Interest and other dividends receivable.—This account shall include the amount of interest receivable accrued to the date of the balance sheet on bonds, notes, and other commercial paper owned and on loans made, and the amount of declared dividends receivable on stocks owned.

ACCOUNT 1680. Material and supplies. (A) This account shall include the cost of material and supplies on hand, including plant supplies, tools, fuel, stationery, directory paper stock, and other supplies. So far as practicable transportation charges shall be included as part of the cost of the particular material to which they relate.

(B) So far as practicable, cash and other discounts on materials shall be deducted in determining the cost of the particular material to which they relate or credited to the account in which the material is charged.

- (C) Material recovered in connection with construction, maintenance, or retirement of property shall be accounted for in this account as follows:
- (1) Reusable material, at cost, estimated if not known. (The cost of repairing such material shall be charged to account 4010, "Maintenance labor," and account 4020, "Maintenance materials and supplies," as appropriate.)
- (2) Scrap and nonusable material, at the estimated sales price.
- (D) Inventories of materials and supplies shall be taken at least annually and the necessary adjustments shall be made to bring this account into harmony with the actual inventories. In effecting the adjustments, differences shall be equitably apportioned among the accounts to which material costs have been charged since the preceding inventory or shall be included in account 4190, "Other operation expenses," unless account 9100. "Supply expense—Clearing," is used, in which case the differences shall be included in account 9100.

Note.—When material and supplies are purchased for immediate use, their cost may be charged directly to such telephone plant or other account as is appropriate.

ACCOUNT 1690. Other current assets. (A) This account shall include the book cost (see section 452.05 (instruction 12)) of all current assets that are not includible in accounts 1600 to 1680, inclusive.

(B) The records supporting the entries in this account shall be so maintained that, in the annual reports to the Commission, a complete analysis of the entries, including a description of each class of assets, may be shown.

#### Other Assets

tal stock.—(A) This account shall in- account 2900, "Surplus."

Accounts receivable from affiliated | clude the amount of any balance owing from subscribers upon legally enforce-

> (B) The records supporting the entries in this account shall be so maintained that the company can furnish the name and address of each subscriber, the amount and kind of capital stock subscribed for, the date of subscription, the date that each payment is due and the date that each is paid, the nature of each payment (whether cash or other consideration), and any other information that is necessary to make the history of the subscription complete.

## Prepayments and Deferred Charges

ACCOUNT 1800. Prepayments. - (A) This account shall include the amount of rents, taxes, insurance, directory expenses, and like expenses paid for in advance of the period to which they apply. As the periods covered by such prepayments expire, this account shall be credited and the proper operating expense or other accounts shall be charged with the amount applicable to the period. (See section 456.02 (instruction 65).)

(B) This acount shall be subdivided as follows:

Prepaid rents. Prepaid taxes. Prepaid insurance. Prepaid directory expenses. Other prepayments.

Account 1850. Discount on capital stock.—(A) This account shall include the excess of (a) the book amount of capital stock of the company sold or resold plus dividends accrued over (b) the amount of money (or the then current money value of any consideration other than money) received from the stock.

(B) Amounts included herein may, if the company desires to write them off, be credited to this account and charged to account 2900, "Surplus."

(C) When capital stock is reacquired, any amounts included herein applicable to the reacquired stock shall be credited to this account and charged to account 2900. Any difference between (a) the amount paid to reacquire the stock and (b) its book amount shall be charged or credited, as appropriate, to account 2900.

(D) A separate subaccount with appropriate title shall be maintained for the discount applicable to each class and series of capital stock.

Nora.—No amounts chall be included in this account to represent discount on no-par capital steel; unless the articles of incorporation or other controlling document pre-ceribe a stated value for such stock.

Account 1860. Capital stock expense.— (A) This account shall include the amount of stock expenses that have not been written off in accordance with paragraphs (B) and (C) hereunder.

(B) Amounts included herein may, if the company desires to write them off, be Account 1700. Subscriptions to capi- credited to this account and charged to

- (C) When capital stock is reacquired, approval or direction shall give full par- | be maintained hereunder with respect any amounts included herein applicable ticulars concerning the plant abandoned to the reacquired stock shall be credited to this account and charged to account 2900 "Surplus."
- (D) A separate subaccount with appropriate title shall be maintained for the stock expenses applicable to each class and series of capital stock. (See section 453.01 (instruction 14).)

ACCOUNT 1880. Unamortized debt discount and expense.—(A) This account shall include the excess of (a) the amount of principal of bonds and other forms of long-term debt of the company sold or resold plus interest accrued and plus debt expenses incurred in connection with the issuance and sale or resale, over (b) the amount of money (or the then current money value of any consideration other than money) received for the bonds or other forms of long-term debt.

- (B) Amounts included in this account shall be amortized under such a plan as will equitably distribute the amounts over the life of the securities to which the amounts apply. The amortization shall be on a uniform basis, and the amounts thereof shall be charged to account 7400, "Amortization of debt discount and expense."
- (C Amounts included herein may, if the company desires to write them off. be credited to this account and charged to account 2900, "Surplus."
- (D) When any bonds or other forms of long-term debt are reacquired, any amounts included herein applicable to the reacquired securities shall be credited to this account and charged to account 2900. Any difference between (a) the amount paid to reacquire the securities plus expenses incurred in connection with the reacquisition and (b) the amount of principal of the securities shall be charged or credited, as appropriate, to account 2900.
- (E) A separate subaccount with appropriate title shall be maintained for the discount and expense applicable to each class and series of long-term debt.

ACCOUNT 1890. Other deferred charges.—(A) This account shall include the amount of all deferred charges not provided for elsewhere, including uncleared balances in clearing accounts.

- (B) This account shall include also amounts representing extraordinary losses due to destruction of plant by storms, floods, etc., transferred from account 2600, "Depreciation reserve," under the provisions of paragraph (d) of section 458.01 (instruction 80); and the cost of extensive retirements of station apparatus and inside, drop, and block wires.
- (C) Charges provided for in paragraph (B) above shall be included in this account only after the permission of the Commission has been obtained, and the amounts shall be distributed over such a period as the Commission may approve or direct. The application to the Commission for such permission and partnership, a separate subaccount shall issued.

or retired or the extensive retirements of apparatus or wires, the amounts chargeable to operating expenses, and the period over which in the judgment of the company the amount of such charges should be distributed.

(D) The records supporting the entries in this account shall be so maintained that, in the annual reports to the Commission, a complete analysis of the entries, including a description of each class of deferred charges, may be shown.

#### Reacquired Securities

ACCOUNT 1900. Reacquired securities .-(A) This account shall include the book amount of capital stock and the amount of principal of bonds and other forms of long-term debt issued or assumed by the company that have been reacquired by it and are held under conditions that do not permit the company to treat them as retired or canceled but do permit their resale. It shall not include the cost of securities that are held by trustees or those that are includible in account 1500, "Fund accounts."

- Any difference between the amounts includible herein and the amounts paid for such securities (including expenses incurred in connection with their purchase) shall be included in account 2900, "Surplus." (See also accounts 1850, 1860, 1880, 2150, and 2500 for the accounting for the discount, expense, and premium applicable to such securities.)
- (C) The records supporting the entries in this account shall be so maintained as to show the amount herein applicable to each class and series of capital stock and long-term debt reacquired, and to indicate whether such reacquirements were predicated on refinancing, retiring, or reselling the issues.

## Noncorporate Proprietorship

ACCOUNT 2010. Proprietary capital. (A) This account should be restricted to the amount considered by the noncorporate holder of the proprietary interest to be the permanent investment in the business, subject to change only by additional investment or by the withdrawal of portions of such amount not representing net income. When so maintained, account 2020, "Undistributed profits," shall also be maintained and the entries therein shall be made in accordance with the text of that account.

- (B) When account 2020, "Undistributed profits," is not maintained, this account shall be charged with the withdrawals from the business by any holder of proprietary interest and shall be charged or credited, as appropriate, with all items that are includible in account 2900, "Surplus," when a company is incorporated.
- (C) When the company is owned by a

to each partner.

Note.-Amounts received by any noncorporate holder of proprietary interest as just and reasonable compensation for services performed shall be excluded from this ac-count and charged to the appropriate oper-ating expense account or other accounts.

ACCOUNT 2020. Undistributed profits. (A) This account shall include the amount of undistributed profits of a noncorporate proprietorship when account 2010 is restricted to the amount of the permanent investment in the business.

(B) This account shall be charged or credited with all items that are includible in account 2900, "Surplus," for an incorporated company.

#### Stock

ACCOUNT 2100. Capital stock.—(A) This account shall include the total book amount of capital stock issued by the company.

(B) A separate subaccount with appropriate title shall be maintained for each class and series of capital stock.

ACCOUNT 2130. Obligations for stock conversion.—This account shall include the amount of the company's liability under agreements to exchange its capital stock for the outstanding securities of other companies that have not been surrendered for exchange.

Note.—If prior to their actual conversion the securities outstanding have been given all the rights and privileges of the capital stock of the company's own issue, such securities shall be included in account 2100, 'Capital stock.'

ACCOUNT 2150. Premium on capital stock.-(A) This account shall include the excess of (a) the amount of money (or the then curent money value of any consideration other than money) received for capital stock of the company sold or resold over (b) the book amount of the stock plus dividends accrued. It shall include also assessments against stockholders representing payments required in excess of the book amount.

- (B) When capital stock is reacquired any amounts included herein applicable to the reacquired stock shall be charged to this account and credited to account 2900, "Surplus."
- (C) A separate subaccount with appropriate title shall be maintained for the premium applicable to each class and series of capital stock.

Note.—Amounts received in excess of the stated value of no-par capital stock, or assessments upon such stock, shall be included in account 2100, "Capital stock," unless the articles of incorporation or other controlling document prescribes a stated value for such stock, in which case the amounts received in excess of such stated value shall be included in this account.

ACCOUNT 2180. Capital stock subscriptions and installments.—(A) This account shall include the book amount of capital stock for which legally enforceable subscriptions have been received but for which at the date of the balance sheet stock certificates have not been

- the amounts received on subscriptions to capital stock of the company sold on a partial or installment-payment plant to subscribers with whom there is no legally enforceable subscription contract, and who are entitled to be reimbursed for the principal amount of their payment in the event they fail to complete payments for the stock and receive certificates therefor.
- (C) This account shall be charged and account 2100, "Capital stock," shall be credited when the subscriber has paid his subscription in full and stock certificates are issued representing the shares subscribed.
- (D) In the event that the subscriptions or installment payments are applicable to stock that has been previously sold and reacquired by the company, this account shall be charged and account 1900, "Reacquired securities," shall be credited with the book amount of the stock.
- (E) The records supporting the entries in this account shall be so maintained that the company can furnish the name and address of each subscriber, the amount and kind of capital stock subscribed, the date of subscription, the date that each payment is due and the date that each is paid, the nature of each payment (whether cash or other consideration), and any other information that is necessary to make the history of the subscription complete.

Note A.—Accrued dividends on the stock certificates issued to subscribers shall be accounted for through the account appropriate for dividends.

Note B.—Any discount or premium shall be included in the discount account or the premium account, as appropriate.

## Long-Term Debt

ACCOUNT 2200. Funded debt.—(A) This account shall include the total amount of principal of unmatured funded debt maturing more than one year from date of issue, issued or assumed by the company and not retired or canceled.

(B) A separate subaccount with appropriate title shall be maintained for each class and series of funded debt.

ACCOUNT 2230. Receivers' certificates. This account shall include the amount of principal of unmatured certificates of indebtedness issued by receivers in possession of property and acting under the orders of a court.

ACCOUNT 2250. Advances from affiliated companies.—(A) This account shall include the amount of principal of notes owed to affiliated companies and the amount of open book accounts representing advances from affiliated companies, not subject to current cash settlement. Interest payable accrued on such notes and open accounts shall be included in this account when such interest is not subject to current cash settlement.

(B) The records supporting the entries in this account shall be so maintained that the company can furnish sented.

(B) This account shall include also information as to the kind and amounts company, the purpose of each advance, the length of time for which each advance is made, and how and when it is expected to be repaid.

> ACCOUNT 2290. Other long-term debt. (A) This account shall include the amount of all long-term debt not promortgages executed or assumed (other than as security for bonds), assessments for public improvements, notes and certificates of indebtedness not owned by affiliated companies, and other obligations maturing more than one year from date of issuance or assumption.

> (B) The records supporting the entries in this account shall be so maintained that, in the annual reports to the Commission, a complete analysis of the entries, including a description of each class of long-term debt, may be shown.

## Current and Accrued Liabilities

ACCOUNT 2300. Notes payable. — (A) This account shall include the amount of principal of notes, drafts, acceptances, and other evidences of indebtedness (except interest coupons), issued or assumed by the company, that are payable on demand or by their terms are payable within a time not exceeding one year from the date of issuance.

(B) The records supporting the entries in this account shall be so maintained that the company can furnish complete details as to each note, such as the date issued, the consideration received, and the date payable.

(C) This account shall be subdivided as follows:

Notes payable to affiliated companies. Notes payable to others.

ACCOUNT 2320. Accounts payable .-(A) This account shall include the amounts currently owed to others not provided for in other accounts, such as those for wages, traffic settlements, material and supplies, repairs to telephone plant, and matured rents.

(B) This account shall be subdivided as follows:

Accounts payable to affiliated companies.

Accounts payable to others.

ACCOUNT 2340. Customers' deposits .-This account shall include the amount of cash deposited with the company by customers as security for the payment for telephone service. Deposits refunded shall be debited to this account, and amounts applied to uncollectible bills shall be credited to the account of the customer and debited to this account.

ACCOUNT 2350. Matured long-term debt.—This account shall include the amount of long-term debt and receivers' certificates, including any obligation for premiums, matured and unpaid without specific agreement for extension of maturity. It shall include bonds drawn or called for redemption but not pre-

Account 2360. Advance billing and of advances received from each affiliated payments.—This account shall include the amount of advance billing creditable to revenue accounts in future months: also advance payments made by prospective customers prior to the establishment of service. Amounts included in this account shall be credited to the appropriate revenue accounts in the vided for elsewhere, such as real estate months in which the service is rendered, or cleared from this account as refunds are made.

> Account 2390, Other current liabilities.-This account shall include the amount of all current liabilities not provided for elsewhere, including matured interest and declared dividends.

> Account 2400. Accrued liabilities .-This account shall include the amount of interest on indebtedness of the company and on receivers' certificates (other than interest includible in account 2250. "Advances from affiliated companies"), rents, taxes, and other liabilities accrued to the date of the balance sheet but not due until after that date. (See also section 456.03 (instruction 66).)

## Deferred Credits

Account 2500. Unamortized premium on long-term debt .- (A) This account shall include the excess of (a) the amount of money (or the then current money value of any consideration other than money) received for bonds or other forms of long-term debt of the company sold or resold over (b) the face amount of the bonds or other forms of long-term debt plus interest accrued and plus debt expenses incurred in connection with the issuance and sale or resale.

- (B) Amounts included in this account shall be amortized under such a plan as will equitably distribute the amounts over the life of the securities to which the amounts apply. The amortization shall be on a uniform basis, and the amounts thereof shall be credited to account 7500, "Amortization of premium on longterm debt--Cr."
- (C) When any bonds or other forms of long-term debt are reacquired, any amounts included herein applicable to the reacquired securities shall be charged to this account and credited to account 2900. "Surplus." Any difference between (a) the amount paid to reacquire the securities plus expenses incurred in connection with the reacquisition and (b) the face amount of the securities shall be charged or credited, as appropriate, to account 2900.
- (D) A separate subaccount with appropriate title shall be maintained for the unamortized premium applicable to each class and series of long-term debt.

Account 2590. Other deferred credits.—(A) This account shall include the amounts of all deferred credits, not provided for elsewhere, that cannot be entirely cleared or disposed of until additional information has been received or that are being held for credit to other accounts in the future.

in this account shall be so maintained that, in the annual reports to the Commission, a complete analysis of the entries, including a description of each class of deferred credits, may be shown.

#### Reserves

ACCOUNT 2600. Depreciation reserve. (A) This account shall be credited with the amounts charged to account 5000, "Depreciation expense," and to clearing accounts for currently accruing depreciation of telephone plant. (See also section 458.01 (instruction 80).) It shall be credited also with amounts transferred from surplus to provide for past deficiencies in the reserve.

(B) At the time of retirement of depreciable telephone plant, this account shall be charged with the book cost of the property retired plus the cost of removal (except the cost of removal of station apparatus and station wiring) and shall be credited with the salvage value and insurance recovered, if any. It shall be credited with amounts representing extraordinary losses due to destruction of plant by storms, floods, etc., transferred to account 1890, "Other deferred charges," when so authorized by the Commission.

ACCOUNT 2700. Amortization reserve. (A) This account shall be credited with the amounts charged to account 5100, "Amortization of intangible property," for the amortization of organization, leaseholds, franchises, patent rights, and similar intangible property. It shall be credited or charged, as appropriate, with such amounts as may be approved or directed by the Commission for inclusion in account 5200, "Amortization of plant adjustments," or account 2900, "Surplus," under a plan to amortize amounts in account 1200, "Plant adjustments."

(B) When any leasehold included in account 1011, "Land," or any franchise, patent, or similar intangible expires, is relinquished, or is otherwise retired from service, this account shall be charged with the amount included herein with respect to the property going out of service. The difference between (a) the book cost of the property so retired and (b) the sum of (1) the amount chargeable to this account and (2) the proceeds realized at retirement shall be charged or credited, as appropriate, to account 2900. "Surplus."

ACCOUNT 2790. Other reserves.—This account shall include the amounts of reserves not provided for elsewhere, such as those for depreciation of miscellaneous physical property and for pensions, accident and death benefits, savings, re-, lief, hospital, or other purposes.

## Contributions of Telephone Plant

ACCOUNT 2800. Contributions of telephone plant.—(A) This account shall include the amounts of money or its equivalent contributed directly or indirectly for or in connection with the construction or acquisition of telephone

the amount and description of each contribution and the name of each contributor will be readily available. also section 454.01 (instruction 20).)

(B) When the service in connection with which the contribution was made is permanently discontinued by the company, the amount in this account with respect to that service shall be charged hereto and credited to account 2900, 'Surplus.''

Note.—Except as provided in paragraph (B), the amounts of contributions shall be permanently carried in this account.

#### Surplus

ACCOUNT 2900. Surplus .-- (A) This account shall include the balance in the surplus account of the company. (See also accounts 2010, "Proprietary capital," and 2020, "Undistributed profits.")

(B) It shall be credited with the credit balance of income for the year, credits from the reacquisition of the company's securities, profit on plant sold together with the traffic associated therewith, unclaimed dividends, and other gains realized not properly includible in current income.

(C) It shall be charged with the debit balance of income for the year, dividends declared, amortization of intangible property not provided for elsewhere, amounts appropriated to cover past accrued depreciation or amortization not provided for, decline in the value of investments, debits on the reacquisition of the company's securities, unamortized capital stock and debt discount and expense written off, loss on plant sold together with the traffic associated therewith, reversal of amounts previously credited to surplus, and other losses realized not properly deductible from current income.

(D) The records supporting the entries in this account shall be so maintained that, in the annual reports to the Commission, a complete analysis of the entries may be shown.

## TELEPHONE PLANT ACCOUNTS

#### Account

1001. Organization.

1002. Franchises.

1005. Miscellaneous intangible property.

1007. Right of way.

1011. Land. 1012. Buildings.

1021. Central office equipment.

1031. Station equipment. 1032. Station wiring.

1045. Poles, conduit, cable, and wire.

1050. Other radio telephone plant. 1061. Furniture and office equipment.

1064. Vehicles and other work equipment. 1076. Telephone plant acquired. 1077. Telephone plant sold.

(See particularly sections 454.01 to 454.05, inclusive (instructions 20 to 25, inclusive).)

ACCOUNT 1001. Organization.—This account shall include the cost of organizing and incorporating the company.

Items (See Section 452.03 (Instruction 8))

- 1. Amounts paid for legal services.
- 2. Amounts paid for privileges of incorporation.

- (B) The records supporting the entries | plant. The records shall be so kept that | 3. Office expenses incident to organizing the company.
  - 4. Stock and minute books and corporate seal.

NOTE A .- This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans or selling bonds or other evidences of debt or expenses in connection with the authorization, issuance, sale, or resale of capital stock. (See also accounts 1850, 1860, 1880, stock. 2150, and 2500.)

Note B.—This account shall not include any organization costs of companies retir-ing as a result of merger, consolidation, or reorganization.

ACCOUNT 1002. Franchises.—(A) This account shall include amounts paid for governmental franchises, consents, certificates, and similar rights running for more than one year that are necessary in the conduct of the company's telephone operations. It shall include amounts paid in cash and the cost of plant, material, supplies, and equipment given as the initial consideration for such franchises, the cost of advertising, the governmental election costs assumed by the company, and similar expenses incurred in procuring such franchises. (See also subparagraph (7) of paragraph (b) of section 454.03 (instruction 22).)

(B) If a franchise, consent, or certificate is acquired by assignment, the charge to this account with respect thereto shall be (a) the amount paid therefor by the company to the assignor or (b) the amount paid by the original grantee plus the expense of acquisition to such grantee, whichever is the lower amount. Any excess of "(a)" over "(b)" shall be charged to account 2900, "Surplus."

(C) When any franchise, consent, or certificate expires or is sold, relinquished, or otherwise retired from service, the amount included in this account with respect to the property going out of service shall be credited hereto and the accounting shall be completed as provided in account 2700, "Amortization reserve."

Note.—Franchise taxes payable annually or more frequently shall be charged to account 5400, "Operating taxes." count 5400,

ACCOUNT 1005. Miscellaneous intangible property.—(A) This account shall include the cost of patent rights and other intangible property, not provided for elsewhere, devoted to telephone service and having a life of more than one year from the date placed into service.

(B) The records supporting the entries in this account shall be so maintained that, in the annual reports to the Commission, a complete analysis of the entries, including a description of each class of intangible property, may be shown.

Nore.—The cost of intangible property having a life of one year or less from the date placed into service shall be charged to account 4190, "Other operation expenses."

ACCOUNT 1007. Right of way.—This account shall include amounts paid for land and for leaseholds, easements, and

similar rights in land having a term of more than one year acquired for the location of poles, cable, wire, and conduit plant; also permits to erect poles and to place conduit when the expected period of occupancy exceeds the estimated life of the initial plant installed. It shall include the related portion of the pay and expenses of right of way agents and other costs of acquiring such land, rights, and permits. (See also subparagraph (7) of paragraph (b) of section 454.03 (instruction 22).)

ments for the use of right of way shall be charged to account 4190, "Other operation expenses." Note A .- Annual or more frequent pay-

NOTE B.—Payments to municipalities or other governmental agencies (exclusive of franchise taxes) as consideration for a franchise or right to conduct the company's telephone operations, whether or not the right to occupy city property, streets, and highways is obtained thereunder, shall be accounted for as franchise payments. (See also account 1002.)

ACCOUNT 1011. Land .- (A) This account shall include the cost of land and of leaseholds, easements, and similar rights in land having a term of more than one year used for general and central office buildings, garages, shops, and for storage and other telephone purposes other than right of way. It shall also include special assessments upon land for the construction of public improvements.

(B) When land, together with the buildings thereon, is acquired, the cost shall be fairly apportioned between the land and the buildings and accounted for accordingly. If the plan of acquisition contemplates the removal of the buildings, the total cost of the land and buildings shall be accounted for as the cost of the land, and the salvage value of the buildings when disposed of shall be deducted from the cost of the land so determined.

## Items (See Section 452.03 (Instruction 8))

- 1. Assesments for the construction of public improvements.
- 2. Clearing or defending title against claims relating to period prior to purchase.
- 3. Commissions and fees to brokers. agents, and others.
- Condemnation proceedings, includ-ing court costs and special counsel fees.
- 5. Conveyancer and notarial fees.
- 6. Examination and registration of titles.
- 7. Grading of land not in connection with buildings.
- 8. Relocating property of others in acquisition of land.
- 9. Sidewalks on public streets abutting company's property.
- 10. Taxes assumed, accrued prior to date of acquisition.
- 11. Taxes on land during period of construction.
- 12. Voiding leases to secure possession of land acquired.

Note.—Annual or more frequent payments for the use of land shall be charged to the account appropriate for rent.

ACCOUNT 1012. Buildings.-This account shall include the cost in place of buildings and all permanent fixtures, machinery, appurtenances, and appliances installed as a part thereof. It shall include costs incident to the construction or purchase of a building and to securing possession and title. (See also paragraph (B) of account 1011, "Land.")

Items (See Section 452.03 (Instruction 8))

- Awnings.
- Boilers, furnaces, and fixtures, and machinery for heating, lighting,
- ventilating, and plumbing.
  3. Commissions and fees to brokers, agents, architects, and others.
- 4. Drainage and sewerage systems.
- 5. Electric wiring.
- 6. Fences and hedges.
- 7. Fire-extinguisher systems.
- 8. Garages, shops, and stables.
- 9. General and central office buildings.
- 10. Grading, excavating, and preparing grounds for buildings, including the laying out of grounds after construction.
- 11. Linoleum and similar floor covering, excluding carpets and rugs.
- 12. Additions and betterments to leased buildings. (See also section 454.04 (instruction 23).)
- 13. Partitions, movable and other.
- 14. Platforms, storage and loading.
- 15. Refrigeration systems.
- 16. Retaining walls.
- 17. Screens, doors and window.
- 18. Sheds.
- 19. Sidewalks, payments, and driveways on building grounds.
- 20. Sprinkling systems.
- 21. Storm doors and windows.
- 22. Voiding leases to secure possession of buildings acquired.
- Water, steam, and gas pipes.
- 24. Window shades and ventilators.

Note.—This account shall not include the cost of any telephone equipment or wiring or apparatus for generating or controlling electricity for operation of the telephone system.

ACCOUNT 1021. Central office equipment.—This account shall include the cost installed of local and toll switchboards and appurtenances, main and intermediate frames, relay and coll racks, interior wires and cables, power apparatus, and other apparatus used in the Items (See Section 452.03 (Instruction 8)) operating and terminal rooms.

Items (See Section 452.03 (Instruction 8))

- 1. Banks-connector; selector.
- 2. Batteries.
- 3. Battery cabinets.
- 4. Building alterations, minor, such as opening and closing holes in cellings, partitions, walls, and floors to permit the installation of equipment, power conduit, and wiring.

- 5. Cables.
- 6. Calculagraphs.
- 7. Covers for transmission-power apparatus.
- 8. Dasks and tables when equipped with central office telephone equipment.
- 9. Frames—distributing and other.
- 10. Fuse boards.
- 11. Fuse panels.
- 12. Jumper wires.
- 13. Loading coils.
- 14. Loudspeaker equipment.
- 15. Meters.
- 16. Operators' breastplate transmitters.
- 17. Operators' chairs.
- 18. Operators' headsets.
- 19. Platforms (not part of buildings).
- 20. Pole changers.
- 21. Power circuits for emergency use, including payment for the installation by others of circuits not owned.
- 22. Power panels.
- 23. Protectors.
- 24. Pulse machines and tone machines.
- 25. Radio transmitting and receiving equipment.
- 26. Rectifiers.
- 27. Relay racks and coil racks.
- 28. Relays.
- 29. Register cabinets.
- 30. Rheostats.
- 31. Ringing machines, including special foundations not a part of buildings.
- 32. Switchboards-subscribers', toll, dialsystem.
- 33. Switches.
- 34. Tarpaulins.
- 35. Test boards.
- 36. Testing and routining central office equipment prior to assignment to service.
- 37. Testing equipment and tools, central office.
- 38. Ticket holders.
- 39. Water stills for battery service.

Account 1031. Station equipment. (A) This account shall include the cost of equipment and apparatus such as telephone sets, private branch exchanges, booths and special fittings, and other apparatus not includible in account 1021. 'Central office equipment."

(B) The following subdivision of this account is recommended:

Station apparatus.

Private branch exchanges.

Booths and special fittings.

Station apparatus:

- 1. Batteries, station.
- 2. Battery boxes.
- 3. Bell boxes.
- 4. Coin collectors.
- 5. Cord, special.
- 6. Desk sets, hand sets, and wall sets, including those used at main, extension, privatebranch-exchange, and private-line stations, etc.

Station apparatus—Continued.

- 7. Dials.
- 8. Extension bells.
- 9. Messenger and similar signaling devices.
- Public pay station operators' chairs.
- Public pay station operators' headsets and breastplate transmitters.
- 12. Station switching and signaling devices, including apparatus cabinets, keys, key cabinets, and devices used with intercommunicating systems.
- 13. Telegraph equipment.
- 14. Teletypewriter equipment.

## Private branch exchanges:

- 15. Switchboards—manual and dial, with associated wiring and equipment other than that listed above under station apparatus.
- 16. P. B. X. operators' chairs.
- 17. P. B. X. operators' headsets and breastplate transmitters.

## Booths and special fittings:

- 18. Booths and booth fittings, excluding station apparatus.
- 19. Public-telephone signs.

Account 1032. Station wiring.—This account shall include the cost of installing station apparatus (together with the cost of materials used in the installation) and the cost installed of inside, drop, and block wires. (See also paragraph (b) of section 454.05 (instruction 25).)

Items (See Section 452.03 (Instruction 8))

## Station installations and inside wires:

- 1. Cost of installing apparatus and the cost installed of—
  - (a) The wires (or small cables) from the station apparatus to the point near the entrance to the building where the drop or block wire or cable terminates, or to the junction boxes where the house cable or other cable terminates.
  - (b) The wires (or small cables) used to connect station apparatus in the same building, such as main stations with extension stations, and stations of intercommunicating systems.
  - (c) The wires (or small cables) used to connect private branch exchange switchboards or their distributing frames with terminal stations located in the same building.
  - (d) Clamps, cleats, connecting blocks, ground wires, ground rods, nails, station protectors, screws, and other material used in the installation of station apparatus and inside wires.

## Drop and block wires:

- 2. Brackets.
- 3. Bridle rings.
- 4. Bridle wire.
- 5. Insulators.

Drop and block wires-Continued.

- 6. Knobs.
- 7. Screws.
- 8. Sleeves.
- 9. Span clamps.
- 10. Tie wire.
- 11. Tubes.
- 12. Wire.

Note.—A drop or block wire consists of that portion of a customer's circuit (whether aerial or underground) extending from the inside wire (usually at the station protector or connecting block), or from the station equipment when no inside wire is involved, to the point of connection with the general overhead or underground system. This includes such circuit, carried by means of wire or small cables, extending to the cable terminal in cases where connection is made with a general cable system, or to the point of connection with the aerial wire plant in cases where connection is made with a general wire system.

Account 1045. Poles, conduit, cable, and wire.—(A) This account shall include the cost installed of poles, crossarms, guys, underground conduit, manholes, wire (except inside, drop, and block wires), cable, and other material used in the construction of such plant.

(B) The following subdivision of this account is recommended:

Poles and fixtures.

Conduit.

Cable.

Wire.

(C) The records supporting the entries in this account shall be so maintained as to show the number of poles wholly owned and the number jointly owned and the extent of the company's interest in the jointly owned poles.

Items (See Section 452.03 (Instruction §))

## Poles and fixtures:

- 1. Anchors.
- 2. A and H fixtures.
- 3. Braces, pole and back.
- 4. Bridge fixtures.
- 5. Cable arms.
- Clearing routes and tree trimming, except maintenance of previous clearings.
- Crossarms with hardware.
- 8. Extension arms.
- 9. Guard arms.
- 10. Guy wire or strand.
- Painting, treating, gaining, roofing, shaving, and stenciling poles.
- 12. Permits and privileges for construction.
- 13. Pins.
- 14. Pole brackets, wooden.
- 15. Poles.
- 16. Pole steps.
- 17. Pole stubs.
- 18. River crossing and long-span fixtures.
- 19. Strain insulators and thimbles.
- 20. Towers.

## Underground conduit:

- 21. Cable racks.
- 22. Conduit.
- 23. Excavation.
- 24. Handholes.
- 25. Manholes.

Underground conduit-Continued.

- 26. Paving.
- 27. Permits and privileges for construction.
- 28. Pipe.
- 29. Riser pipe.
- 30. Service boxes.
- 31. Tile.

#### Cable:

- 32. Bonds and grounds.
- 33. Cable-block, feeder, main, subsidiary.
- 34. Cable-house, including riser and distributing cables extending to floor-terminal boxes, cross-connection boxes at wall outlets, etc., where connection is made with inside wires.
- 35 Cable clamps and hangers.
- 36. Cable rings.
- 37. Cable terminals or boxes.
- Cross-connection wires and fuses installed in the first equipment for service of cable terminals or boxes.
- Floor-terminal boxes and crossconnection boxes at wall outlets.
- 40. Fuse boxes.
- 41. Loading coils and cases therefor.
- 42. Main-frame-terminating cable extending to outside cable.
- 43. Negative returns.
- 44. Permits and privileges for construction.
- 45. Pole seats and balconies.
- 46. Protective covering for buried cable.
- 47. Protectors and arresters.
- 48. Safety straps.
- 49. Sleeves.
- 50. Strand, suspension.
- 51. Tree guards.
- 52. Trolley guards.

## Aerial wire:

- 53. Bridle rings.
- 54. Bridle wire.
- 55. Ground wire, clamps, and rods.
- 56. Insulators and thimbles.
- 57. Loading coils and cases therefor.
- 58. Permits and privileges for construction.
- 59. Protectors and arresters.
- 60. Repeating coils.
- 61. Tie wires.
- 62. Transposition brackets.
- 63. Transposition of the circuits in initial construction work and any additions or betterments resulting from transposing or retransposing existing circuits.
- 64. Wire.

Account 1050. Other radiotelephone plant.—This account shall include the cost of radiotelephone plant not provided for elsewhere.

Note.—This account shall not include the cost of any wire telephone plant or the cost of any radiotelephone plant that can be included in accounts 1001 to 1045, inclusive.

Account 1061. Furniture and office equipment.—This account shall include the cost of general furniture and equipment in office, storerooms, shops, and other quarters.

- Beds, cots, and couches.
- 2. Bins, counters, and shelves.
- Bookcases.
- 4. Cabinets and filing cases.
- 5. Cages, cashiers'.
- 6. Chairs, carpets, and rugs.
- 7. Clocks.
- 8. Desks.
- 9. Fans, electric, portable.
- 10. Fire-extinguisher equipment, portable.
- 11. Gas and electric fixtures, portable.
- 12. Lockers and wardrobes, portable.
- 13. Mirrors, portable.
- 14. Office devices, including addressing, billing, blueprinting, computing, dating, duplicating, mailing, photostat and recording machines, cash registers, check writers, postagemeter machines, typewriters, etc.
- 15. Racks, clothing.
- 16. Safes.
- 17. Stoves.
- 18. Tables.
- 19. Vending machines.
- 20. Water coolers.

ACCOUNT 1064. Vehicles and other work equipment.—This account shall include the cost of vehicles, tools, garage and shop machinery and equipment, and miscellaneous work equipment not provided for in other accounts.

## Items (See Section 452.03 (Instruction 8))

- 1. Automobiles, motor trucks and tractors, including those equipped with earth-boring machines, pumps, winches, etc.
- 2. Carts, cable splicers'.
- 3. Concrete mixers.
- 4. Derricks.
- 5. Forges.
- 6. Gasoline and oil pumps, portable.
- 7. Hand tools.
- 8. Hand trucks.
- 9. Lathes.
- 10. Motors and generators.
- 11. Planers.,
- 12. Pole-treating apparatus.
- 13. Pumps.
- 14. Torches.
- 15. Trailers.
- 16. Wagons. 17. Winches, power.
- Note A .- The cost of chairs, desks, tables,

etc., in garages and shops shall be charged to account 1061, "Furniture and office equip-ment."

Note B .- The cost of testing equipment and tools regularly used in central offices shall be carried to account 1021, "Central office equipment."

ACCOUNT 1076. Telephone plant acquired.-This account shall be charged temporarily with the cost of acquisition (i. e., the amount of money actually paid or the then current money value of any consideration other than money exchanged for telephone plant, together with the preliminary expenses incurred in connection with the acquisition) of necessary to cover the cost applicable to

to other accounts. (See also section erty included in the telephone plant ac-454.02 (instruction 21).)

ACCOUNT 1077. Telephone plant sold. This account shall be credited temporarily with the selling price of substantially complete operating units or systems pending determination of the amounts to be credited to the appropriate telephone plant accounts and to other accounts. (See also paragraph (f) of section 454.05 (instruction 25).)

#### INCOME ACCOUNTS

#### Telephone Operating Income

#### Account

3000. Operating revenues.

4000. Maintenance and operation expenses.

5000. Depreciation expenses. 5100. Amortization of intangible property. 5200. Amortization of plant adjustments. 5300. Rent for lease of telephone plant.

5400. Operating taxes. 5500. Income taxes.

5600. Rent from lease of telephone plant.

#### Other Income

6000. Interest and dividend income. 6100. Income from miscellaneous physical

property. 6900. Other income—Miscellaneous.

Miscellaneous Deductions from Income

7000. Miscellaneous taxes.

7100. Other miscellaneous deductions from income.

## Fixed Charges

7200. Interest on long-term debt. 7300. Other interest charges. 7400. Amortization of debt discount and expense.

7500. Amortization of premium on long-term debt—Cr.
7600. Interest charged to construction—Cr.

7900. Other fixed charges.

## Disposition of Net Income

8000. Reservations of income.

#### Telephone Operating Income

ACCOUNT 3000. Operating revenues. This account shall include the total revenues for the accounting period that are provided for in the operating revenue accounts 3010 to 3090, inclusive.

ACCOUNT 4000. Maintenance and operation expenses.—This account shall include the total expenses for the accounting period that are provided for in the operating expense accounts (4010 to 4190, inclusive).

ACCOUNT 5000. Depreciation expense. This account shall include the amount of depreciation charges applicable to the accounting period for all classes of depreciable telephone plant, except amounts charged to clearing accounts (if kept). The depreciation charges shall be computed in accordance with section 458.01 (instruction 80).

Note.—Depreciation on miscellaneous physical property shall be charged to account 6100, "Income from miscellaneous physical property," and credited to account 2790, "Other reserves."

ACCOUNT 5100. Amortization of intangible property.-This account shall be charged each month with the amount

Items (See Section 452.03 (Instruction 8)) | propriate telephone plant accounts and | leaseholds, and similar intangible propcounts, as have expired during the month. Amounts so charged shall be credited to account 2700, "Amortization reserve."

> Account 5200. Amortization of plant adjustments.—This account shall be charged or credited, as the case may be, with such amounts as the Commission may approve or direct to be included herein under a plan to amortize amounts in account 1200, "Plant adjustments." Such amounts shall be credited or charged, as appropriate, to account 2700, "Amortization reserve."

> Account 5300. Rent for lease of telephone plant.—This account shall include rents paid for the lease from others of telephone plant comprising substantially complete operating units or sys-

> Account 5400. Operating taxes.—(A) This account shall include all Federal. State, county, municipal, and other taxing-district taxes, including franchise taxes payable annually or more frequently, other than taxes includible in account 5500, "Income taxes," relating to telephone plant, operations, and privileges. Taxes accrued through this account prior to their payment shall be credited to account 2400, "Accrued liabilities."

> (B) Amounts for which the company is liable on its own behalf for taxes imposed under the Social Security Act and similar State statutes shall be equitably apportioned among this account, the telephone plant accounts, and account 7000, "Miscellaneous taxes."

Note A.—Special assessments for street and Note A.—Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or the investment accounts, as appropriate. Note B.—Discounts allowed for the prompt payment of taxes shall be credited to the account to which the taxes are charged.

Note C.—Interest on tax assessments that are not paid when due shall be included in account 7300, "Other interest charges."

Account 5500. Income taxes.-This account shall include the amount of Federal, State, and local government taxes on net income applicable to telephone operations, including additional assessments of such taxes. Taxes accrued through this account prior to their payment shall be credited to account 2400, "Accrued llabilities."

Note.-Income taxes that are not applicable to telephone operations shall be in-cluded in account 7000, "Miscellaneous

Account 5600. Rent from lease of telephone plant.—This account shall include rents received from the lease to others of telephone plant comprising substantially complete operating units or systems.

## Other Income

ACCOUNT 6000. Interest and dividend telephone plant pending determination organization and to such portions of the income.—This account shall include all of the amounts to be charged to the ap- lives of limited-term franchises, patents, interest and dividend income, such as dividends from stock owned by the com- | 4. Claims and judgments. pany, interest on securities, notes, and 5. Customers' deposits. other evidences of indebtedness owned by the company, interest on bank balances, certificates of deposit, open accounts, and other analogous items, including such income from sinking and other funds.

ACCOUNT 6100. Income from miscellaneous physical property.—This account shall include all revenues from and expenses (including depreciation and insurance) of physical property the cost of which is includible in account 1400, "Miscellaneous physical property."

ACCOUNT 6900. Other income—Miscellaneous.-This account shall include all items not provided for elsewhere that are properly creditable to income. It shall include all expenses incurred in connection with such items.

## Miscellaneous Deductions From Income

ACCOUNT 7000. Miscellaneous taxes .-This account shall include all taxes not provided for elsewhere, such as taxes on miscellaneous physical property and on non-telephone operations and income.

ACCOUNT 7100. Other miscellaneous deductions from income.—This account shall include all items not applicable to telephone operations and not provided for elsewhere, such as contributions for charitable or social- or community-welfare purposes, membership fees and dues in associations (other than those of the company itself in associations of telephone companies and of employees in professional organizations), and uncollectible amounts previously credited to accounts 6000, 6100, and 6900.

## Fixed Charges

ACCOUNT 7200. Interest on long-term debt .- This account shall include the current accruals of interest on all classes of long-term debt. The records shall be so kept that the interest on each class of long-term debt may be shown separately in the reports to the Commission.

Note.—This account shall not include charges for interest on long-term debt issued or assumed by the company and held by or for it, whether pledged as collateral or held in its treasury, in special deposits, or in sinking or other funds.

ACCOUNT 7300. Other interest charges.—(A) This account shall include all interest charges not provided for elsewhere. It shall include the amount of discount, premium, and expense on notes maturing 1 year or less from date of issue.

- (B) A list of representative items of indebtedness follows, the interest on which is chargeable to this account (see section 452.03 (instruction 8)):
- 1. Assessments for public improvements past due.
- Bond coupons, .matured and unpaid.
- 3. Capital-stock and funded-debt subscriptions, receipts for installments on.

- 6. Funded debt matured, with respect to which a definite agreement as to extension has not been made.
- 7. Notes payable on demand or maturing 1 year or less from date of issue.
- 8. Open accounts.
- 9. Tax assessments, past due.

Nore.—Interest payable on notes or other evidences of indebtedness maturing serially shall be charged to account 7200, "Interest shall be charged to account 7200, "Interest on long-term debt," if any portion of the obligation matures more than 1 year from date of issue.

ACCOUNT 7400. Amortization of debt discount and expense.—(A) This account shall include the portion of the unamortized debt discount and expense on outstanding long-term debt that is applicable to the accounting period, determined in accordance with the text of account 1880, "Unamortized debt discount and expense."

(B) Amounts charged to this account shall be credited to account 1880.

ACCOUNT 7500. Amortization of premium on long-term debt-Cr.-(A) This account shall include the portion of the unamortized premium on outstanding long-term debt that is applicable to the accounting period, determined in accordance with the text of account 2500, "Unamortized premium on long-term debt."

(B) Amounts credited to this account shall be charged to account 2500.

ACCOUNT 7600. Interest charged to construction-Cr.-This account shall be credited with such amounts as are charged to the telephone plant accounts for interest on funds expended for construction purposes, as provided in subparagraph (10) of paragraph (b) of section 454.03 (instruction 22).

ACCOUNT 7900. Other fixed charges. This account shall include all items of fixed charges not provided for elsewhere that are properly chargeable to income, such as taxes paid by the company under tax-free covenants on indebtedness.

## Disposition of Net Income

ACCOUNT 8000. Reservations of income.—This account shall include all reservations of income. Amounts charged to this account shall be credited to the appropriate reserve accounts.

## OPERATING REVENUE ACCOUNTS

## Account

3010. Local service revenues.

3030. Toll service revenues 3060. Miscellaneous operating revenues.

3090. Uncollectible operating revenues—Dr.

ACCOUNT 3010. Local service revenues.—This account shall include all revenues from the furnishing of telephone service within the local service area. (See section 455.01 (instruction 50) J

Items (See Section 452.03 (Instruction 8))

and rural service.

- 2. Revenues from private branch exchange service.
- 3. Charges for extension stations and extension bells.
- 4. Charges for extra mileage in circuits to customers' stations.
- 5. Charges for extra directory insertions
- 6. Installation and cancellation charges when billed against customers.
- 7. Charges for local messages from public telephones.
- 8. Charges for switching calls for farmer lines.
- 9. Amounts charged customers for moves and changes.
- 10. Charges for toll terminals and local loops (including those furnished for use in connection with lines of other companies) and charges for instruments and equipment when furnished in connection with such lines and loops.
- 11. Other revenues accruing from local service operations.

ACCOUNT 3030. Toll service revenues .-(A) This account shall include toll service revenues from the transmission of messages, including such revenues from messages transmitted entirely over the company's own lines and amounts representing divisions of toll service revenues received (a) from messages transmitted partly over the company's lines, and partly over the lines of other companies, (b) as compensation for originating or terminating toll messages of other companies, and (c) as compensation for switching toll messages between lines of other companies.

(B) This account shall include toll service revenues from private line services and facilities furnished between different local service areas under contracts providing exclusive service either continuously or during stated periods, including (a) revenues from services involving only the use of the company's own lines and (b) amounts representing divisions of toll private line service revenues when such service involves the use of lines of other companies. It shall include toll private line service revenues from lines furnished for telephone, telegraph, teletypewriter, public address, radio program transmission, and remote control.

(C) This account shall include revenues from guarantees at toll stations and from messenger service in notifying persons of toll calls.

Items (See Section 452.03 (Instruction 8))

- 1. Revenues from messages transmitted wholly over the company's lines between points in different local service areas, whether from subscribers or from public telephones.
- 2. Company's proportion of revenues on messages transmitted partly over the company's lines and partly over lines of other companies (sometimes termed mileage).
- 1. Revenues from customers for local 3. Compensation allowed the company by others for switching or handling

toll messages or for originating or terminating such messages.

- 4. Revenues from toll lines leased to telegraph companies or others.
- 5. Messenger service in connection with toll calls.
- 6. Other revenues from toll line operations.

ACCOUNT 3060. Miscellaneous operating revenues.-This account shall include all operating revenues not provided for in accounts 3010 and 3030.

Items (See Section 452.03 (Instruction 8))

- 1. Revenues from messenger service not includible in account 3030.
- Revenues from advertisements in directories.
- 3. Commissions from telegraph companies for making collections and for other services (not transmission charges).
- 4. Rents from property used in part in the company's telephone operations, such as rent of offices, storerooms, instruments, equipment and lines furnished apart from telephone service rendered by the company, pole-line space for attachments, space in conduits, etc. (Rent received for lease of a substantially complete operating unit or system is includible in account 5600, "Rent from lease of telephone plant.")
- 5. Profits realized from custom work performed for others incident to the telephone company's operations.
- 6. Revenues from the sale of new directories of the company's own issue and of directories purchased from others.
- 7. Unclaimed refunds or overcharges on telephone service.
- 8. Other miscellaneous operating revenues.

ACCOUNTS 3090. Uncollectible operating revenues-Dr.-(A) This account shall include amounts credited to the operating revenue accounts which have proved impracticable of collection.

(B) This account may include charges based on estimates, to provide a reserve for uncollectible accounts due from customers and agents. Amounts thus charged shall be credited to account 1650-B, "Reserve for uncollectible revenues-Cr.," which is a subaccount of account 1650, "Due from customers and agents." When the reserve make a followed, uncollectible revenues shall be written off against the reserve.

(C) When revenue that has been written off through this account is later collected, the amount of the collection shall be credited to this account, or to the reserve if one has been established.

OPERATING EXPENSE ACCOUNTS

#### Maintenance

## Account

- 4010. Maintenance labor.
- 4020. Maintenance materials and supplies. 4030. Station removals and changes.
- 4090. Other maintenance expenses.

## Operation

- 4110. Operators' wages.

- 4120. Other traffic expenses. 4150. Office salaries. 4160. General services and licenses. 4190. Other operation expenses,

(See particularly sections 454.05 and 456.01 (instructions 25 and 61).)

#### Maintenance

ACCOUNT 4010. Maintenance labor .-This account shall include the cost of all labor employed in repairing or maintaining all classes of telephone plant. including plant supervision expense distributed on basis of labor. (See also section 456.01 (instruction 61).)

ACCOUNT 4020. Maintenance materials and supplies.—This account shall include the cost of all materials and supplies used in repairing or maintaining all classes of telephone plant, including replacement of dry batteries and supply expense distributed on basis of material used. (See also section 456.01 (instruction 61).)

ACCOUNT 4030. Station removals and changes.—(A) This account shall include the cost of removing or changing the location of stations and inside, drop, and block wires, and the cost of station disconnections, reconnections, and reinstallations.

(B) In cases where stations are reinstalled at premises from which they were previously removed, this account shall include the cost of all labor, materials, and expense necessary in connection with the reuse of the existing inside. drop, and block wires. (See also paragraph (b) of section 454.05 (instruction 25).)

Note.—Amounts charged to subscribers for moves and changes shall be credited to account 3010, 'Local service revenues.'

ACCOUNT 4090. Other maintenance expenses.—This account shall include all items of maintenance expense not provided for elsewhere, such as transportation expense and contract work that cannot be segregated as to labor and supplies. This account shall also include the cost of permits and privileges for maintenance work when not includible in other accounts.

Note.—Transportation expense in connection with construction should be included as a part of construction costs.

## Operation

ACCOUNT 4110. Operators' wages. This account shall include the wages of chief operators, supervisors, local and toll switchboard operators, information operators, and all other operators employed in central offices; also the pay of operators employed at public telephone stations.

ACCOUNT 4120. Other traffic penses.—This account shall include the cost of power purchased, the cost of labor and supplies in operating the power plant, the cost of charging batteries, the pay and expenses of messenteries, the pay and expenses of messen-gers, and other expenses in connection kept, the items provided for therein that are

with the operation of central offices and public telephones.

Account 4150. Office salaries.—This account shall include the salaries of the general officers of the company and the salaries of other employees that are not chargeable to any of the preceding expense accounts.

Account 4160. General services and licenses.—This account shall include all amounts paid for services received under a license agreement, or a general service contract or arrangement providing for the furnishing of general managerial, accounting, engineering, financial, legal, or other general services.

Account 4190. Other operation expenses.—(A) This account shall include all expenses of operation not properly chargeable to other accounts.

(B) This account shall be so maintained that in the annual report to the Commission an analysis of the items included herein may be shown.

Items (See section 452.03 (instruction 8))

- 1. Accidents and damages.
- 2. Advertising.
- 3. Appraisals of telephone plant.
- 4. Directors' fees.
- 5. Directory expense.
- 6. House service.
- 7. Insurance.
- 8. Law expense.
- 9. Office supplies and expense.
- Other general expenses.
- 11. Outside auditing expense (not includible in account 4160).
- 12. Public telephone commissions.
- 13. Postage.
- 14. Regulatory commission expense.
- 15. Relief and pensions.
- 16. Rents for general offices, central offices, pole attachments, etc. (Rent paid for lease of a substantially complete operating unit or system is chargeable to account 5300, "Rent for lease of telephone plant.") .
- 17. Stationery and printing.
- 18. Travel and incidental expenses of general officers.

## CLEARING ACCOUNTS

## Account

9000. Vehicle and other work equipment expence—Clearing.
9100. Supply expense—Clearing.

Norz A.—Clearing accounts are used as a medium for distributing certain items that affect more than one primary account and that cannot be appropriately allocated as they are incurred. Examples are items of transportation expenses or other work equipment expenses that are incurred by the use of automobiles and other equipment for construction and for operating purposes. struction and for operating purposes. The use of these clearing accounts and of any additional clearing accounts is optional with the company. Companies that do not keep clearing accounts shall take such measures and establish such procedure as will insure proper allocation or distribution of charges to the appropriate account. Any additional to the appropriate account. Any additional clearing accounts used shall be assigned a title descriptive of the charges thereto and shall be cleared so as to distribute the charges equitably.

chargeable to operating expenses shall be included in the following accounts:

(a) Depreciation of equipment, in account 5000, "Depreciation expense."
(b) Repairs to equipment, in the appro-

priate maintenance account.

(c) Other items, in the appropriate maintenance or operation expense account

ACCOUNT 9000. Vehicle and other work equipment expense-Clearing.-(A) This account, when used, shall include the expense of operating and maintaining automobiles, trucks and other work equipment (except storeroom equipment) including the expense of garages, shops, small tools, tool rooms, and stables, and the amount of depreciation charges applicable to the accounting period for plant in account 1064, "Vehicles and other work equipment."

(B) This account shall be cleared by adding to the cost of work performed such amounts as will distribute the total expense equitably.

Items (See Section 452.03 (Instruction 8))

- 1. Depreciation of transportation and garage equipment.
- 2. Insurance.
- 3. License fees for vehicles and drivers.
- 4. Rents for equipment, garages, or stables.
- 5. Repairs of equipment.
- 6. Supplies, such as gas, oil, tires, tubes, tire chains, grease, etc.

ACCOUNT 9100. Supply expense-Clearing.—(A) This account, when used, shall include the expenses incurred in connection with the purchase, storage, handling, and distribution of material and supplies that are not allocated to other accounts as they are incurred; and the amount of depreciation expense applicable to the accounting period for the equipment of storerooms.

(B) This account shall be cleared by adding to the cost of material and supplies a loading charge that will distribute the total expense equitably.

Items (See Section 452.03 (Instruction 8))

- 1. Depreciation of equipment of storerooms.
- 2. Discounts on material, cash and other, when impracticable to be deducted from the cost of the particular material to which they relate.
- 3. Overages and shortages in material and supplies that cannot be assigned to specific accounts.
- 4. Insurance.
- 5. Losses in material and supplies due to depreciation, breakage, leakage, evaporation, and fire and other casualties.
- 6. Pay and expenses of purchasing agents, superintendents and supervisors of supplies, managers of storekeepers, clerks, and stores, laborers.
- 7. Rents for storerooms and storage yards.
- Repairs of equipment.
- 9. Transportation charges that cannot be added to the cost of the particular material.

PART 461. LIST OF UNITS OF PROPERTY [Formerly "Appendix A"]

Sec.

461.01 Units of property.

Sec. 461.01 Units of property. The following list of units of property shall be used in connection with the accounting provided in section 454.05 (instruction 25). Additions to or revisions of this list will be issued, when necessary, by the Commission, to which any applications for such additions or revisions shall be presented by the company.\*#

Buildings.—(Account 1012.)

A complete building.

An entire roof with or without supporting members.

Note A.—A building of irregular shape having more than one roof level may have several isolated roofs, each of which shall be considered an entire roof. In the case of buildings to which lateral extensions have been made, even though having but one roof level, that part of the roof covering an entire section built at one time shall be considered an entire roof. considered an entire roof.

A complete fire escape.

A complete metal window (i. e., box, frame, and sash).

A boiler, furnace, hot-water heater, or automatic stoker.

A coal or ash conveying system. An elevator complete with operating mechanism.

A gas-burner system.

A house-lighting or power board.

An oil-burner system.

An oil tank.

The floor covering for one room.

A motor, generator, engine, turbine, pump, compressor, ventilating fan, air washer, elevator drum, or similar item of equipment, with or without associated wiring, control equipment, etc.

Note B .- In addition to the above-listed units of property, material (i. e., portions of buildings, equipment, fixtures, etc.) installed and retired, and the labor and incidental costs involved in connection with work of the following character, shall be handled through the telephone plant and depreciation reserve accounts:

(1) Changes in the type of operation of elevator systems, e. g., a change from man-ual to signal control of cars, from manual to power operation of doors, from low speed to high speed, from direct to alternating current, from hydraulic to electric opera-tion, from one type of signaling or dispatch-

ing system to another.

(2) Relocations of tollet rooms, battery rooms, kitchens, terminal rooms, machine rooms, transformer vaults, etc.

(3) Structural changes such as: (a) Reinforcements of floors, roofs, bearing walls, footings, and foundations; (b) additions or relocations of elevator shafts, stairways, fire relocations of elevator shafts, stairways, fire exits, and vaults, but excluding switchboard cable holes and slots; and (c) building alterations required for fire protection and other safety measures.

(4) Changes in the type of electric current supply, or of ventilating, air conditioning, or similar systems.

(5) Building enlargements.

(6) Replacements of the following character:

(a) Replacements of plumbing or heating pipes (with or without associated valves), except when necessitated by minor repairs

or minor relocations of fixtures.

(b) Replacements of all or substantially all of the lighting fixtures (with or with-

out associated wiring and conduit) in one

out associated wiring and conduit) in one operating or equipment room or, in the case of office space, on one floor of a building, (c) General replacements (throughout a building or throughout an entire portion erected at one time) of items such as supply, return, or air valves in heating systems; hot or cold water valves or faucots; and plumbing, heating, or drainage traps.

Central office equipment .-- (Account

Switchboards, desks, and testboards— Switchboards (i. e., local, toll, dial system "A," cordless "B," call distributing "B," observing, teletypewriter, etc.)—A complete section or lower unit.

Desks (i. e., operating, observing, testing, etc.)—A complete section.

Testboards, or test and control boards (board type)—A complete section. Testboards, or test and control boards

(rack type)-

All the equipment in one bay.

A complete upper unit.

A complete lower unit.

A complete installation of rack framework for one board.

Test panels—A complete panel.

Test cabinets—A cabinet complete with equipment.

Distributing frames—

Main distributing frames (including wall type)-A complete installation for one central office (in muti-unit offices, for one operating unit).

Intermediate distributing frames-A complete installation for one central office (in multi-unit offices, for one operating unit).

Mezzanine balconies-A complete installation for one frame.

Racks-

Relay rack equipment-

A panel or unit complete with equip-

All the equipment in one bay, exclusive of any panels or units.

Coil rack equipment-All the equipment on one shelf.

Message and traffic registry rack equipment-All the equipment in one bay.

Iron framework-A complete line of rack with or without enclosing cabinet or case.

Cable-

All of the cables in one run used for the same purpose, such as between-

- (1) Main frame and intermediate frame for subscribers' line.
- (2) Main frame and intermediate frame for outgoing trunk multiple.
- (3) Intermediate frame and connector frame or final frame for subscribers' lines.
- (4) Intermediate frame and answering iacks.
- (5) Intermediate frame and switchboard for outgoing trunk multiple jacks.
- (6) Intermediate frame and switchboard for subscribers' multiple jacks.

Iron framework-A complete installa-

Power equipment—

Frame or rack mounted equipment-

A panel or shelf complete with equipment, such as fuses, meters, control equipment, etc.

Iron framework-A complete line of frame or rack for one fuse board, one power switchboard, etc.

A generator, motor, motor generator set, gas engine, rectifier, ringing machine, harmonic converter, pole changer, interrupter, power filter, or choke coil.

## Storage batteries:

A complete battery with or without rack, cabinet, or counter electric motive force cells.

All positive or all negative plates in an entire battery (i. e., in all cells of a 24volt battery, in all cells of a Morse battery. etc.).

All tanks or all jars of an entire battery.

A complete battery rack or cabinet, storage or dry.

A complete group of bus bars, cable, or wiring (with or without conduit) such as between-

Battery and fuse panel.

Power switchboard and machines.

Telephone repeater equipment (including testing equipment)-

A complete floor mounted rack type set.

Relay rack mounted equipment-

A panel or unit complete with equipment.

All the equipment in one bay, exclusive of any panels or units.

Coil rack mounted equipment-All the equipment on one shelf.

Iron framework-A complete line of rack.

Carrier equipment (telephone, telegraph, repeater, and testing equipment)-

A complete floor mounted rack type set.

Relay rack mounted equipment-

A panel or unit complete with equipment.

All the equipment in one bay, exclusive of any panels or units.

A line filter.

A complete test table.

Iron framework-A complete line of rack.

Telegraph equipment (printer and manual)-

Telegraph testboards-A complete section or bay.

Duplex, single line telegraph, and polar repeaters-

A table or bay complete with equipment.

Metallic telegraph repeaters-

A complete floor mounted rack type set.

Voice frequency carrier equipment-A panel or unit complete with equip-

Voice freuency carrier battery supply apparatus-

A complete bay of equipment.

A complete test table.

Iron framework-A complete line of rack.

Telephotograph equipment—

Table-mounted sending or receiving equipment—

A table complete with equipment.

A complete optical system.

A complete mechanical system.

A complete fork box.

A complete amplifier-modulator box.

Rack-mounted sending or receiving eguipment-

A panel complete with equipment. All the equipment in one bay.

Iron framework-A complete line of rack.

Power equipment—

A complete power board.

A complete storage battery.

Photographic equipment—

A copying camera or a copying, enlarging, and reducing camera, each with or without associated stands, illuminators, and copy boards.

A print machine.

A drying cabinet.

A developing, fixing, and washing tank.

Radio equipment-

A complete transmiter.

A complete receiving set.

Miscellaneous equipment-

A calculagraph, a master clock, or a secondary clock.

Electrically driven calculagraph and clock systems-

A complete installation.

Mechanical or pneumatic tube ticket distributing system—A complete installa-

Each complete tool or portable test set the original cost of which was charged to the telephone plant account, such as a plug remover and attacher, cam aligning fixtures, multiple bank resetting gage, or shaft straightening tool, a relay adjusting set, line finder set, or wagon type set.

Each complete item of furniture or other miscellaneous equipment the original cost of which was charged to the telephone plant account, such as a desk or table equipped with central office equipment, an operator's chair, a complete switchboard platform, an operator's telephone set cabinet, a rotary file or direcephone set cabinet, a rotary file of directory cabinet, a ticket cabinet or rack, a exchange boards necessitated by a cutover tarpaulin with or without cabinet, a of a central office district to dial operation. tory cabinet, a ticket cabinet or rack, a

A panel or unit complete with equip- portable service-observing cabinet, or a holding-time recorder.

Loud-speaker equipment—A complete installation.

Aisle-lighting equipment-A complete installation on one floor.

Rolling ladders-A complete installation for one side of one frame or rack.

Message and traffic register cabinets-A cabinet complete with equipment.

Teletypewriter sets-Units specified under the caption "Station equipment. (Account 1031.)"

Panel dial system equipment-

A complete equipment frame such as line-finder frame, line switch frame, salector frame, link frame, routine test frame, decoder frame, sender frame, or floor alarm board.

Pulse-machine equipment-A complete pulse machine.

Pulse-machine control apparatus-A complete installation controlling a set of pulse machines.

Step-by-step dial system equipment-

A complete equipment frame, such as a line-finder frame, line-switch frame, selector frame, connector frame, or repeater frame.

Key-indicator equipment or key-pulsing equipment-

A complete equipment frame, such as a link or sender frame.

Nore.-When work of the following character is performed as a special job in a central office or at a multiple or dial private branch exchange for the purpose of improving or changing the type of the equipment, the material installed and re-tired and the labor and incidental costs involved shall be handled through the tele-phone plant and depreciation reserve accounts:

(1) Conversions of one or more switch-board positions, or dial-system frames, from one type to another, such as from sub-cribers' to toll, subscribers' to rural, inward toll to combined line and recording; manual B to call indicator B, or from panel B switchboard incoming frame to in-

teroffice incoming frame.
(2) Conversions of circuits from one type to another, such as conversions of cord cirto another, such as conversions of cord circuits from two-party ringing to four-party relective ringing, semiselective ringing to selective ringing, comiselective ringing to selective ringing, or from manual recall to flashing recall, and conversions of panel-sender circuits from noncoin to coin and from two digit to three digit.

(3) Replacements of items of one type with items of a different type for such reasons as improving signaling or transmission characteristics, changing operating methods or increasing capacity of the office, e. g.:

(a) Replacements of all the relays or repeating coils of one type in a central office with relays or coils of an improved type for the purpose of improving the signaling or transmission characteristics.

(b) Replacements of items of equipment in dial offices because of a change in the method of operation to multiple registra-

(c) Replacements of items of power equip-ment because of a change in power pur-chaced from direct current to alternating current.

(d) Modifications of the trunk and cord

(e) Replacements of protectors of one size with protectors of a smaller size on a main distributing frame so that more protectors may be installed in the same space.

(f) Replacements of 20 pair terminal strips on a main distributing frame with 50 pair strips to increase the capacity of the frame

the frame.

(g) Replacement of jack strips having 10 jacks per strip with strips having 20 jacks per strip to increase the capacity of a switchboard.

(h) Replacement of keys of one type with keys of a different type to permit more keys to be placed in the same position.

Station equipment.—(Account 1031.)

Station apparatus.

A complete station.

A desk stand, with or without transmitter, receiver, or dial.

A hand set (i. e., transmitter, receiver, and handle).

A hand set mounting, with or without dial.

A wall set, with or without transmitter, receiver, or dial.

A bell box or other subscriber set, such as extension bell, signal horn, etc.

A coin collector, with or without transmitter, receiver, or dial.

A complete apparatus cabinet.

A complete key cabinet or key box. An intercommunicating system key.

Note.—The original cost less salvage of the following items of station apparatus not designated units of property shall be charged to the depreciation reserve account when lost, destroyed, junked, or otherwise dis-posed of:

A hand-set handle. A transmitter.

A receiver.

Α dial. A dial mounting.

A switching key (individually mounted type).

Teletypewriter equipment-

complete station.

printer or teletypewriter.

A printer or teletypewriter table or stand. base (printer or reperforator).

A cover (printer or reperforator).

A printer unit or typing unit.

keyboard unit. distributor unit A

transmitter unit.

perforator unit. reperforator unit.

A relay box with equipment.
A motor or motor unit (excluding the motor of a motor generator set).

A motor generator set. A rectifier unit. A loop switchboard.

A station signaling set.

Manual telegraph equipment-

A complete station. A loop switchboard.

Program supply and public address equipment-

A microphone transmitter. A microphone transmitter mounting.

An amplifier. A loud-speaking receiver.

An observer's telephone set.

A complete dynamotor, motor generator, rectifier, or storage battery

A complete control cabinet, resistor cabinet, or junction box.

A battery cabinet.

Rack mounted equipment:

All the equipment in one bay. A panel complete with equipment.

Iron framework—A complete line of rack.

Sociated anchors, guys, etc.

Portable equipment—A complete item of portable equipment, with or without the carrying case (e.g., an amplifier, a transmitter mixing panel, an oscillator, or an equalizer).

Radio receiving sets and equipment associated therewith—A complete installation.

Private branch exchanges.

A complete cordless or nonmultiple switchboard, with or without local storage batteries or cables classified as P. B. X. equipment.

An apparatus cabinet as used with certain nonmultiple boards.

A complete section of an order-receiving table.

An order turret (not including the turrets forming part of an order-receiving table).

An attendant's cabinet complete with equipment.

A code sending set or code call unit.

A complete teletype switchboard.

An operator's chair.

Multiple private branch exchange equipment and private dial system equipment (except as provided below)-Units specified under the caption "Central office equipment. (Account 1021.)"

An equipment cabinet complete with and switching equipment batteries mounted therein, as generally used with a dial system installation of small capacity.

Local storage battery plants of the type used to serve several nonmultiple boards or of the type used with certain small multiple P. B. X. installations-An entire battery with or without cabinet or control apparatus.

Local automatic power plants of the type used to serve a small dial or a small multiple P. B. X.-

A control cabinet, with or without charging or ringing equipment.

An entire battery, with or without cabinet or counter E. M. F. cells.

Booths and special fittings.

A booth compartment, with or without special fittings or associated furniture and fixtures such as chairs, directory racks, directory tables, and counters.

An attendant's desk including equipment or a switchboard.

Station wiring.—(Account 1032.)

(See paragraph (b) of section 454.05 (instruction 25).)

Poles, conduit, cable, and wire.—(Account 1045.)

Poles.

A pole (i. e., line pole, brace pole, guy stub, or pole forming part of A or H fixture), a pole stub, or a pole butt, with or without associated anchors, guys, steps, etc.

A crossarm (i. e., wooden crossarm, guard arm, or cable crossarm, including extension arms), with or without associated braces and other hardware.

A special fixture (i. e., a bridge fixture, a tower or other special river-crossing or long-span fixture), with or without asUnderground conduit.

A section of conduit—

- (1) Between two manholes, handholes, or service boxes.
- (2) Between a manhole, handhole, or service box and a pole or building.
- (3) Between a central office cable vault and an office manhole.
- (4) Underground dips-between two poles; between a pole and a building; between two buildings; or units (1) and above.

A manhole, handhole, or service box.

Note:—When a manhole is reconstructed, i. e., enlarged or changed in design, the investment representing portions of the manhole removed, whether, or not replaced, should be written off to the depreciation reserve account.

A span of cable, with or without associated suspension strand, clamps, rings, etc. (The term "a span" shall include a length of cable from a "Y" splice not located at a pole to a pole or building.)

A section or run of cable, with or without associated elements and parts, as follows:

- (1) Between a manhole, handhole, or service box and a pole, building, fence, wall, or the junction with house cable.
- (2) Between manholes, handholes, or service boxes; or between an office cable vault and an office manhole.
- (3) Between a cable vault or an office manhole and the junction with the main frame terminating cables.
- (4) A section of buried cable 300 feet or more in length, or a section of buried cable between manholes, splicing boxes, or pedestals.
- (5) All of a continuous run of one size of house cable. ("All of a contin-uous run of one size" means a section between splices other than straight splices.)
- (6) All of a continuous run of one size of block cable, i. e., cable attached to buildings, walls, or fences. ("All of a continuous run of one size" means a section between splices other than straight splices.)
- (7) All of a submarine cable for one crossing; or a section of submarine cable 300 feet or more in length.
- (8) A section of underground dip cable between poles and/or buildings, or the appropriate units listed above.

Any length of cable which is a continuation of a unit of cable and is replaced with such unit.

Any length of cable connected with but not a part of a terminal, or a case of equipment such as loading coils when replaced with the terminal or case of equipment.

Main frame terminating cables (generally silk and cotton insulated) -All the cables including forms used for terminating one outside cable.

A complete cable terminal, protected or unprotected, with or without associated balcony, pole seat, pedestal, etc. or without contactor.

A house cable terminating frame.

A submarine cable hut or house. A submarine cable anchorage.

A submarine cable terminating frame. A fuse pot.

A case of equipment such as loading coils, building-out condensers, carrier line filters, or auto-transformers.

Aerial wire.

Two continuous spans or more of one wire, with or without associated insulators, transposition brackets, etc.

A case of equipment such as loading coils, building-out condensers, carrier line filters, or auto-transformers.

An antenna, complete with or without

Other radiotelephone plant.—(Account 1050.)

Units appropriate to the nature and character of the radiotelephone plant involved shall be prepared and submitted to the Commission together with sufficient descriptive and other data to support an application for the addition of such units to this list of units.

Furniture and office equipment.—(Account 1061.)

Each complete item of furniture or equipment, the original cost of which was charged to the telephone plant account, such as-

A desk, chair, table, piano, davenport, typewriter, computing machine; a section of bookcase, filing cabinet, shelving, bins, or counter; a rug, a carpet, or other floor covering for one room.

Vehicles and other work equipment .-(Account 1064.)

Each complete item of equipment, the original cost of which was charged to the telephone plant account, such as-

A passenger automobile or truck with or without body; a tractor; a pole jack, splicer's tent or extension ladder; a pole derrick, power winch, earth-boring machine, or trailer; a portable test set; a wire measuring machine.

PART 462, ACCOUNTS RECOMMENDED FOR CLASS D TELEPHONE COMPANIES

(Formerly "Appendix B")

Sec. 462.01 Definition. Accounts recommended. 462.03 Questions. List of accounts. 462.04

Sec. 462.01 Definition. Class D telephone companies are defined in paragraph (a) of section 452.01 (instruction 1 of the Uniform System of Accounts for Class C Telephone Companies) as:

Companies having average annual operating revenues not exceeding \$25,000.

"Operating revenues" as there used consist of revenues includible in accounts 3010 to 3090, inclusive. In computing the average annual operating revenues to de- 2900. Surplus

A pressure contactor terminal, with termine the class to which your company belongs, use the average of the operating revenues for the three years immediately preceding the current calendar year.\*#

> SEC. 462.02 Accounts recommended. The Commission is not prescribing a system of accounts for Class D telephone companies; however, for your convenience and to encourage uniformity in accounting by small telephone companies, there is given on the following pages a list of accounts recommended for Class D companies. The accounts recommended consist of an abridgment of the accounts prescribed for Class C companies and are cross-referenced to the corresponding accounts of the Class C system, to which reference should be made for instructions relative to the accounts.\*#

Sec. 462.03 Questions. The Commission will be glad to answer any questions presented to it by the proper officer regarding the accounts recommended.\*# Sec. 462.04. List of accounts: #

BALANCE-SHEET ACCOUNTS
Asset Side
Recommended accounts for Class D telephone C account numbers
Account Number Title
1000. Telephone plant. 1000, 1100, 1200.
1300. Miscellaneous in- vestments and
funds 1300, 1400, 1500.
1600. Cash 1600, 1620.
1640. Notes receivable _ 1640. 1650. Due from cus-
tomers and
agents 1650.
1660. Accounts receivable 1660.
1680. Material and sup-
plies 1680. 1690. Other assets 1670, 1690, 1700.
1800. Prepayments and
deferred
charges 1800, 1850, 1860, 1890. 1880. Unamortized debt
discount and
expense 1880.
1900. Reacquired secu- rities 1900.
Liability Side
·
2010. Noncorporate pro- prietorship 2010, 2020.
2100. Capital stock 2100, 2130.
2150. Premium on cap-
ital stock 2150. 2180. Capital stock
subscriptions
and that II
2200. Long-term debt 2200, 2230, 2250, 2290.
and Install— ments2160. 2200. Long-term debt 2200, 2230, 2250, 2290. 2300. Notes payable 2300. 2320. Accounts payable 2320.
2340. Customers' deposits 2340.
Tana.
2350. Matured long-
term. debt 2350.
term debt 2350. 2390. Other current and accrued
term debt 2350. 2390. Other current and accrued liabilities 2360, 2390, 2400,
term debt
term debt 2350. 2390. Other current and accrued liabilities 2360, 2390, 2400. 2500. Unamortized pre- mium on long- term debt 2500.
term debt 2350. 2390. Other current and accrued liabilities 2360, 2390, 2400. 2500. Unamortized pre- mium on long- term debt 2500. 2590. Other deferred
term debt
term debt
term debt

telephone

plant 2800.

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TELEPHONE PLANT ACCOUNTS
Account
Number
1001. Organization_____
1005. Miccellaneous in-
                          . 1001.
        tangible prop-
erty______ 1002,
1007. Right of way_____ 1007.
                           1002, 1005,
1011. Land _____
1012. Buildings .
                           1012.
1021. Central office
         equipment_
                           1021.
1031. Station equip-
        ment ...
                        _ 1031
1032. Station wiring 1032.
1045. Polcs, conduit,
cable, and wire 1045.
1050. Other radiotele-
phone plant____
1061. Furniture and
                          1050.
         office equip-
                           1061.
        ment...
1004. Vehicles and
         other work equipment
                          1064
1076. Telephone plant acquired
                          1076.
1077. Telephone plant cold
                          1077.
          -The subdivisions of any of the
above-listed telephone plant accounts recom-
mended for Class C companies are not recom-
mended for Class D companies.
              INCOME ACCOUNTS
        Telephone Operating Income
3000. Operating rev-
         enues...
4000. Maintenance and
         operation ex-
         pences ...
                           4000.
5000. Depreciation ex-
5100. Amortization
                         . 5000.
5100, 5200.
5400. Operating taxes 5400, 5500. Sent from lease of telephone
                         5600.
        plant.
   Miccellaneous Income and Deductions
6900. Miscellaneous in-
7100. Miccellaneous de-
                         _ 6000, 6100, 6300,
        ductions from 7000, 7100.
                 Fixed Charges
7300. Interest charges_ 7200.7300.
7800. Other fixed
                        7400, 7500, 7600, 7900.
        charges ___
          Disposition of Net Income
8000. Recervations of
                        ... 8000.
        income ____
        OPERATING REVENUE ACCOUNTS
3010. Local service rev-
                        _ 3010.
         enues____
3030. Toll cervice rev-
                        _ 3030_
enues_____
3000. Miccellaneous op-
        erating rev-
                        _ 3060.
enues_____
3030. Uncollectible op-
        crating reve-
        nues ____Dr__ 3030.
        OPERATING EXPENSE ACCOUNTS
                 Maintenance
```

4010. Maintenance labor \_\_\_\_\_4020. Maintenance ma-

4090. Other mainte-nance ex-

penses ....

terials and supplies \_\_\_\_\_ 4020. 4030. Station removals

and changes \_\_ 4030.

6 W W					8 8 9
Account Number Particulars 1900. Reacquired securities  Total asset side Noncorporate Proprietorship 2010. Proprietary capital 2020. Undistributed profits	Total noncorporate proprietorship	2200. Funded debt. 2230. Receivers' certificates. 2250. Advances from affiliated companies. 2250. Other long-term debt.  Total long-term debt.  Current and Accrued Liabilities  A. Notes payable to affiliated companies.  B. Notes payable to others.	ble to affi ble to oth ebt payments (es	2500. Unamortized premium on long-term debt  2590. Other deferred credits	2800. Contributions of relephone plant  Surplus  Total liability side
4110. Operators' wages. 4110. 4120. Other traffic ex- 4120. Other traffic ex- 4120. Other salaries		1400. Miscellaneous to others.  1500. Fund accounts.  Total investments.  Current Assets  1600. Cash.  A Securities of affiliated companies.  B. Securities of others.	1640. Notes receivable:  A. Notes receivable from affiliated companies	vable  Other Assets k nents and Deferred	U. Frepaid insulance

~2	The second secon
	INCOME STATEMENT
	Account Telephone Operating Income
Item	
1.	3000. Operating revenues
2.	Operating revenue deductions: 4000. Maintenance and operation expenses
3.	5000. Depreciation expense
4.	5100. Amortization of intangible property
5.	5200. Amortization of plant adjustments
6. 7.	5300. Rent for lease of telephone plant.
8.	5400. Operating taxes
9.	Total operating revenue deductions (the sum of items 2 to 8, inclusive)
10. 11.	Net operating revenue (item 1 minus item 9)
12.	Operating income (item 10 plus item 11)
	Other Income
13. 14. 15.	6000. Interest and dividend income
16.	Total nonoperating income (the sum of items 13, 14, and 15)
17.	Gross income (item 12 plus item 16)
	Miscellaneous Deductions From Income
18. 19.	7000. Miscellaneous taxes
20.	Total miscellaneous deductions (item 18 plus item 19)
21.	Income available for fixed charges (item 17 minus item 20) 8
	Fixed Charges
22.	7200. Interest on long-term debt
23.	7300 Other interest charges
24. 25.	7400. Amortization of debt discount and expense
26.	7500. Amortization of pend une on long-term debt—Cr
27.	7900. Other fixed charges
28.	Total fixed charges (the sum of items 22, 23, 24, and 27 minus items 25 and 26)
29.	Income after fixed charges (item 21 minus item 28)
	Disposition of Net Income
30.	8000. Reservations of income
31.	Balance of income to surplus (item 29 minus item 30)
[SF	AL] FEDERAL COMMUNICATIONS COMMISSION
	By T. J. Slowie, Secretary.
	[F. R. Doc. 39-268; Filed, January 25, 1939; 10:03 a. m.]

SEC. 463.02 Contemplated form of Income Statement: ##

## **Notices**

SECURITIES AND EXCHANGE COM-MISSION.

United States of America—Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission, held at its offices in the City of Washington, D. C., on the 21st day of January, A. D. 1939.

[File No. 1-2964]

In the Matter of Proceedings Under Section 19 (a) (2) of the Securities Exchange Act of 1934, as Amended, to Determine Whether the Registration of Transamerica Corporation

CAPITAL STOCK, \$2 PAR VALUE SHOULD BE SUSPENDED OR WITHDRAWN

ORDER AMENDING ORDER FOR HEARING

It is ordered, That the order designated "order for hearing and designating officer to take testimony" issued in the above entitled cause, and authorized by the Commission on the 22nd day of November 1938¹ be, and the same is, hereby amended by adding at the end of Item I thereof the following paragraph to be designated as Item I-A:

I-A. Item 24 of Form 24 requires the registrant to indicate any business, vocation or employment of a substantial

<sup>1</sup>3 F.R. 2809 DI.

nature, other than with the registrant, in which each director or officer of the registrant is engaged for his own account or as a director, officer, employee, partner or trustee.

partner or trustee. The Commission has reasonable grounds to believe that during the years 1935, 1936 and 1937 A. P. Giannini held a substantial amount of the capital stock of Pacific Coast Mortgage Company: that during those years he was an officer and director of that corporation, and exercised control over it either alone or in concert with one A. O. Stewart; that during those and other years the principal business of Pacific Coast Mortgage Company was its extensive purchases and sales of the capital stock of Transamerica Corporation; that during the year 1936 Pacific Coast Mortgage Company purchased approximately 493,012 shares of such stock at an average price of approximately \$11.30 per share; that during the year 1936, Pacific Coast Mortgage Company sold approximately 493,012 shares of capital stock of Transamerica Corporation at a sales price of approximately \$14.30 per share, resulting in an aggregate profit of some \$1,629,-941.34; that the sales and purchases of the foregoing shares occurred within a period of less than six months from the date of the purchases and sales, respectively, of such shares; that of the profit of \$1,629,941.34 realized by Pacific Coast Mortgage Company in 1936 from the purchases and sales of the capital stock of Transamerica Corporation referred to above, A. P. Glannini received during the year 1936, in the form of dividends as a stockholder of Pacific Coast Mortgage Company, the sum of approximately \$140,000, and that in addition, A. P. Giannini received on account of stock of Pacific Coast Mortgage Company held by him in trust the further and additional sum of approximately \$265,000; that during the years 1935, 1936 and 1937, A. P. Giannini received in the foregoing manner an aggregate of approximately \$350,000 as dividends from Pacific Coast Mortgage Company, which dividends represented profits of Pacific Coast Mortgage Company derived from its trading in the capital stock of Transamerica Corporation in the manner described above; that the realization of such profits by Pacific Coast Mortgage Company through the purchases and sales of the capital stock of Transamerica Corporation in such manner were rendered possible by the special knowledge of the affairs of Transamerica Corporation acquired by A. P. Giannini as chairman of the board of directors of Transamerica Corporation, which special knowledge was imparted to Pacific Coast Mortgage Company by A. P. Giannini to enable Pacific Coast Mortgage Company to realize such profits.

It appears to the Commission that the failure to disclose Pacific Coast Mortgage Company as a business of a sub-

No. 17-4

stantial nature in which A. P. Giannini is engaged for his own account or as a director or officer renders registrant's response to Item 24 materially misleading.

It is further ordered, That the said order designated "Order for Hearing and Designating Officer to Take Testimony" be, and the same is, hereby amended by adding at the end of Item II thereof the following paragraph:

It further appears to the Commission that, by reason of the facts set forth above in Item I-A, Transamerica Corporation became and was entitled, pursuant to the provisions of Section 16 (b) of the Securities Exchange Act of 1934 to recover the moneys so received by A. P. Giannini from Pacific Coast Mortgage Company; that by reason of the fact that A. P. Giannini was chairman of the board of directors of Transamerica Corporation, Transamerica Corporation has refrained from taking any action to recover such moneys; that it therefore appears to the Commission that the failure to disclose these facts in Items 28 and 29 renders registrant's response to these items materially misleading.

It is further ordered, That a copy of this order be served upon counsel for the registrant eight days prior to the time the matter covered in this order is made the subject of inquiry in the hearing before the Trial Examiner, Henry Fitts, Esq., in this proceeding.

By the Commission.

[SEAL]

Francis P. Brassor, Secretary.

[F. R. Doc. 39-273; Filed, January 25, 1939; 11:32 a. m.]

United States of America—Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C., on the 23rd day of January, A. D. 1939.

IN THE MATTER OF AN OFFERING SHEET FILED BY JAMES E. HUGHES, RESPOND-ENT, ON DECEMBER 17, 1938, COVERING NON-PRODUCING WORKING INTERESTS IN THE HUGHES-LUCIA BROOKS PERMIT

ORDER CONSENTING TO WITHDRAWAL OF OF-FERING SHEET AND TERMINATING PROCEED-ING

The Securities and Exchange Commission, having received from respondent an application for an order consenting to withdrawal of the offering sheet described in the title hereof, and respondent having represented to the Commission in writing that said application is made pursuant to the requirements of Rule 350 of the General Rules and Regulations under the Securities Act of 1933, as amended, and it appearing in view of such representation that withdrawal of said offering sheet is not inconsistent with the public interest.

It is ordered, That consent of the Commission to withdrawal of such offering sheet be, and hereby is, granted, but the Commission does not consent to removal of said offering sheet or any papers relating thereto from the files of the Commission, and

It is further ordered, That the Temporary Suspension Order, the Order for Hearing and Order Designating Trial Examiner, heretofore entered in this proceeding be, and hereby are, revoked, and said proceeding terminated.

By the Commission.

[SEAL]

Francis P. Brassor, Secretary.

[F. R. Doc. 39-274; Filed, January 25, 1939; 11:32 a. m.]

United States of America—Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C., on the 24th day of January, A. D. 1939.

- [File No. 34-29] --

IN THE MATTER OF SOUTHERN NATURAL GAS COMPANY

. NOTICE OF AND ORDER FOR HEARING

Declarations and an application pursuant to sections 7 and 12 (c) of the Public Utility Holding Company Act of 1935, having been duly filed with this Commission by the above-named party;

It is ordered, That a hearing on such matter be held on February 23, 1939, at ten o'clock in the forenoon of that day, at the Securities and Exchange Building, 1778 Pennsylvania Avenue, NW., Washington, D. C. On such day the hearingroom clerk in room 1102 will advise as to the room where such hearing will be held. At such hearing, if in respect of any declaration, cause shall be shown why such declaration shall become effective.

It is further ordered, That Willis E. Monty or any other officer or officers of the Commission designated by it for that purpose shall preside at the hearings in such matter. The officer so designated to preside at any such hearing is hereby authorized to exercise all powers granted to the Commission under section 18 (c) of said Act and to a trial examiner under the Commission's Rules of Practice to continue or postpone said hearing from time to time.

Notice of such hearing is hereby given to such declarant or applicant and to any other person whose participation in such proceeding may be in the public interest or for the protection of investors or consumers. It is requested that any person desiring to be heard or to be admitted as a party to such proceeding shall file a notice to that effect with the Commission on or before February 18, 1939.

The matter concerned herewith is in regard to a declaration of Southern Natural Gas Company, a registered holding company, regarding the reclassification of its capital stock, an application filed pursuant to Rule U-12E-4 for a report on the plan of recapitalization, and a declaration filed pursuant to Rule U-12E-5 regarding the solicitation of consents to such plan of recapitalization.

The plan of reclassification contemplates an amendment to the company's Certificate of Incorporation for the purpose of effecting the following changes in the company's capitalization:

1. The total authorized capital stock of the company, which now consists of 555,000 shares of Class A Stock without par value and 275,000 shares of Class B Stock without par value, shall be changed to 800,000 shares of Common Stock of the par value of \$7.50 per share.

2. The 554,501 shares of Class A Stock presently outstanding shall be reclassified and changed into a like number of shares of new Common Stock, and the 274,939 shares of Class B Stock presently outstanding shall be reclassified and changed into 137,469½ shares of new Common Stock,—the balance of said 800,000 shares of new Common Stock, viz. 108,029.5 shares, constituting authorized but unissued stock.

3. The presently outstanding certificates for Class A Stock and Class B Stock shall represent the interest of the holders thereof as changed by said amendment, but shall be exchanged for certificates for new Common Stock at the rate contemplated by the aforesaid reclassification, viz:

for each share of Class A Stock, one share of new Common Stock;

for each share of Class B Stock, one-half share of new Common Stock:

except that any fractional interest in a share or new Common Stock shall be evidenced by non-voting, non-dividend bearing, non-interest bearing scrip exchangeable in round amounts for full shares.

4. The existing provisions specifying the rights of the Class A Stock and Class B Stock to vote upon the removal of directors, and the rights of the Class A Stock to vote upon the election of an Auditor and certain other matters, shall be changed so as to provide that such matters may be voted on by the Common Stock.

It is further proposed, as part of the Plan, that by resolution of the Board of Directors the capital of the Company shall be increased to \$5,189,776.12 by the transfer of \$189,776.12 from capital surplus account to capital account.

At the present time the Class A Stock (no-par) is entitled to receive non-cumulative dividends at the rate of \$1 per share per annum until January 1, 1940 before any dividend is paid on the Class B Stock. Such dividends become

<sup>&</sup>lt;sup>1</sup>4 F. R. 389 DI.

liquidation the Class A Stock is entitled to a preference of \$16.50 per share plus any cumulative dividends in arrears, and any further distribution after the Class B Stock has received \$14 per share plus any cumulative dividends in arrears.

At the present time the Class B Stock (no-par) is entitled to receive noncumulative dividends at the rate of \$1 per share until January 1, 1940, subject however to the prior rights of the Class A Stock, such dividends to be cumulative after January 1, 1940. On liquidation the Class B Stock is entitled to \$14 per share plus any cumulative dividends in arrears, subject to the prior rights of the Class A Stock on liquidation.

As of March 23, 1938 Federal Water Service Corporation owned 319,378 shares of the Class A Stock out of a total 554,501 shares outstanding and as of the same date that company owned 3,507 shares of the Class B Stock out of a total of 274,939 shares outstanding.

It is further ordered, That copies of this Commission's release giving notice of the hearing in this matter be mailed, at the expense of Southern Natural Gas Company, on or before February 8, 1939, to all shareholders of record at the close stone Utilities, Inc. was dissolved, a copy of business on January 31, 1939.

By the Commission.

[SEAL]

FRANCIS P. BRASSOR, Secretary.

[F. R. Doc. 39-272; Filed, January 25, 1939; 11:31 a. m.]

United States of America-Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C. on the 25th day of January, A. D. 1939.

[File No 30-121]

IN THE MATTER OF KEYSTONE UTILITIES, INC.

NOTICE OF AND ORDER FOR HEARING

An application pursuant to section 5 (d) of the Public Utility Holding Company Act of 1935, having been duly filed with this Commission on behalf of the above named party;

It is ordered, That a hearing on such matter be held on February 14, 1939, at 2:00 o'clock in the afternoon of that day, at the Securities and Exchange Building, 1778 Pennsylvania Avenue, NW., Washington, D. C. On such day the hearingroom clerk in room 1102 will advise as to the room where such hearing will be held. At such hearing, if in respect of any declaration, cause shall be shown why such declaration shall become effective.

It is further ordered, That Willis E. Monty or any other officer or officers of the Commission designated by it for that purpose shall preside at the hearings in such matter. The officer so designated to preside at any such hearing is hereby authorized to exercise all powers granted why such declaration shall become to the Commission under section 18 (c) effective.

cumulative after January 1, 1940. On of said Act and to a trial examiner under the Commission's Rules of Practice to Reeder or any other officer or officers continue or postpone said hearing from time to time.

Notice of such hearing is hereby given to such declarant or applicant and to any other person whose participation in such proceeding may be in the public interest or for the protection of investors or consumers. It is requested that any person desiring to be heard or to be admitted as a party to such proceeding shall file a notice to that effect with the Commission on or before February 8th, 1939.

The matter concerned herewith is in regard to an application on the part of NY PA NJ Utilities Company seeking a aeclaration that Keystone Utilities, Inc. is no longer a holding company. The application states that on July 15, 1938, pursuant to an order of this Commission allowing the acquisition by NY PA NJ Utilities Company of 3,000 shares of Bradford Electric Company from Keystone Utilities, Inc., at that time a wholly owned subsidiary of NY PA NJ Utilities Company, NY PA NJ Utilities Company acquired all the assets and liabilities of Keystone Utilities, Inc. The application further states that on July 18, 1938 Keyof the Certificate of Dissolution having been at that time filed with the Secretary of State of New York, the state of incorporation of Keystone, Inc.

By the Commission.

[SEAL]

FRANCIS P. BRASSOR, Secretary.

[F. R. Doc. 39-271; Filed, January 25, 1939; and Power Company 11:31 a. m.l

United States of America—Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C. on the 25th day of January, A. D. 1939.

[File No. 54-8]

IN THE MATTER OF EAST TENNESSEE LIGHT AND POWER COMPANY AND TENNESSEE EASTERN ELECTRIC COMPANY

NOTICE OF AND ORDER FOR HEARING

An application pursuant to sections 6 (b), 7, 10, 11 (e) and 11 (g) of the Public Utility Holding Company Act of 1935, and the Rules of this Commission applicable thereto, having been duly filed with this Commission by the abovenamed parties;

It is ordered, That a hearing on such matter be held on February 23, 1939, at 10 o'clock in the forenoon of that day, at the Securities and Exchange Building, 1778 Pennsylvania Avenue, NW., Washington, D. C. On such day the hearingroom clerk in room 1102 will advise as to the room where such hearing will be held. At such hearing, if in respect of any declaration, cause shall be shown

It is further ordered, That Robert P. of the Commission designated by it for that purpose shall preside at the hearings in such matter. The officer so designated to preside at any such hearing is hereby authorized to exercise all powers granted to the Commission under section 18 (c) of said Act and to a trial examiner under the Commission's Rules of Practice to continue or postpone said hearing from time to time.

Notice of such hearing is hereby given to such declarant or applicant and to any other person whose participation in such proceeding may be in the public interest or for the protection of investors or consumers. It is requested that any person desiring to be heard or to be admitted as a party to such proceeding shall file a notice to that effect with the Commission on or before February 18, 1939.

The matter concerned herewith is in regard to

Application by East Tennessee Light and Power Company for-

(a) Approval and report by this Commission on a Plan of Reorganization;

(b) Exemption from Section 6 (a) of the issue and sale of \$383,000 face amount of 5% First Mortgage and Refunding Bonds and 14,155 shares of \$6 Cumulative Preferred Stock; and

(c) Approval of the acquisition of the preferred stock of Tennessee Eastern Electric Company.

Declaration by East Tennessee Light

(a) As to solicitation of deposits; and (b) Covering the assumption of bonds issued by Tennessee Eastern Electric Company and the conferring of voting rights on the \$6 Cumulative Preferred Stock of East Tennessee Light and Power Company.

Declaration by Tennessee Eastern Electric Company

(a) Covering the issue and sale of \$897,000 face amount of 5% Refunding Mortgage Bonds.

The Plan includes the following:

I. East Tennessee Light and Power Company will offer to issue its \$6.00 cumulative no par voting preferred stock in exchange for the 6% cumulative preferred and the \$7.00 cumulative preferred stocks of Tennessee Eastern Electric Company, together with the unpaid dividend arrears thereon to June 1, 1938, of \$25.50 per share on the 6% preferred stock and \$29.75 per share on the \$7.00 preferred stock, on the following basis:

Each share of 6% cumulative preferred stock of Tennessee Eastern Electric Company to receive 1.255 shares of new \$6.00 cumulative preferred stock of East Tennessee Light and Power Company. Each share of \$7.00 cumulative preferred stock of Tennessee Eastern Electric Company to receive 1.2975 shares of new \$6.00 cumulative preferred stock of East Tennessee Light and Power | Cities Service Power & Light Company | pany and Tennessee Realty Company to Company.

No fractional shares will be issued, but in lieu thereof, non-dividend bearing scrip certificates in bearer form will be issued. Such strip certificates will be convertible into full shares upon presentation, at any time prior to January 1, 1941, to the company of certificates aggregating full shares.

II. East Tennessee Light and Power Company will issue and sell to Cities Service Power & Light Company \$383,000 face amount of 5% first mortgage and refunding bonds and Tennessee Eastern Electric Company will issue and sell to cause Tennessee Eastern Electric Com-

\$897,000 face amount of 5% refunding mortgage bonds, said bonds to be sold at their face amount, plus accrued interest, and the proceeds thereof applied to payment on account of the indebtedness of these companies and Tennessee Realty Company to Cities Service Power | Light and Power Company will cease to & Light Company.

III. Upon acceptance and consummation of the offer of exchange by holders of at least 97% of the total number of preferred shares of Tennessee Eastern Electric Company outstanding, East Tennessee Light and Power Company will

adopt a plan of liquidation whereby the assets of these companies will be acquired by East Tennessee Light and Power Company. Upon the dissolution of Tennessee Eastern Electric Company and Tennessee Realty Company, East Tennessee be a holding company and will be solely an electric and gas utility operating company.

By the Commission.

FRANCIS P. BRASSOR. [SEAL] Secretary.

[F. R. Doc. 39-270; Filed, January 25, 1939; 11:31 a. m.]